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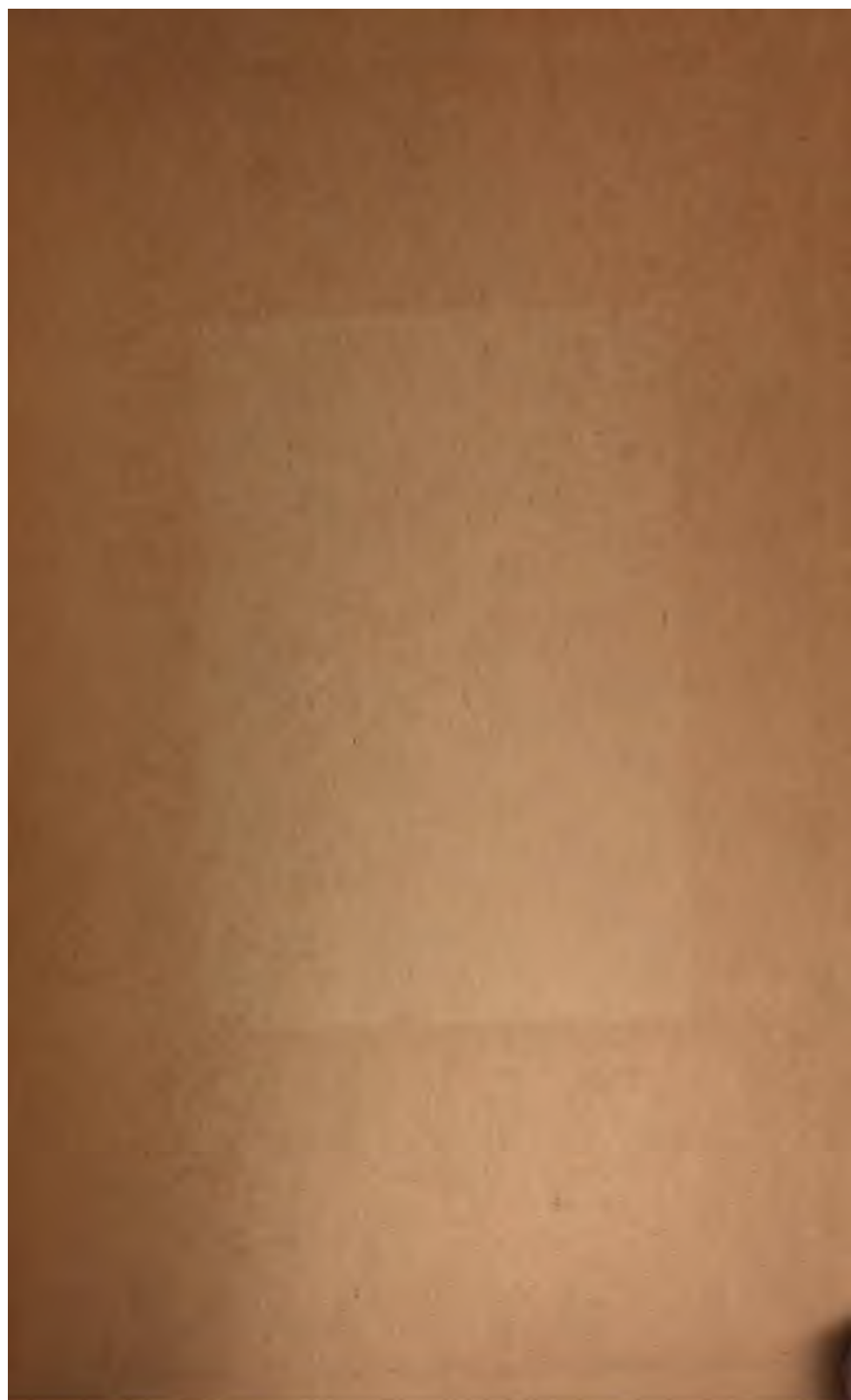
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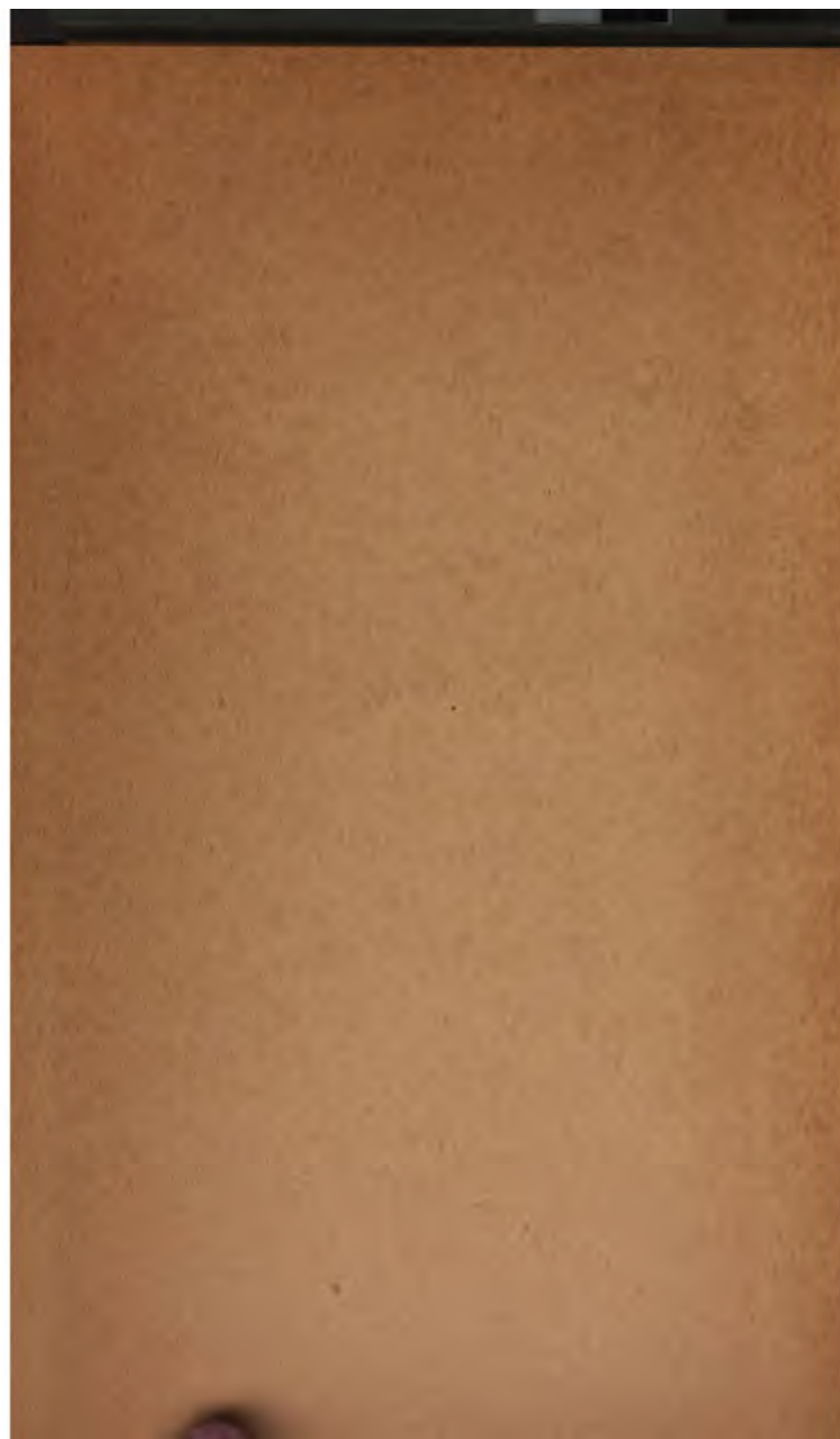
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FIRST ANNUAL REPORT

OF THE

State Market Director of California

TO THE

Governor of California

For the Year Ending December 1, 1916

STANFORD



CALIFORNIA STATE PRINTING OFFICE
SACRAMENTO
1917

STATE COMMISSION MARKET OF CALIFORNIA.

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EDGAR ALLEN FORBES-----Secretary

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Manager California Associated Raisin Co.

CHAS. E. VIEDEN-----Sacramento, Cal.
Manager California Fruit Distributors

G. HAROLD POWELL-----Los Angeles, Cal.
General Manager California Fruit Growers Exchange

G. H. CUTTER-----Sacramento, Cal.
General Manager California Fruit Exchange

WILLIAM GLASS-----Fresno, Cal.
President California Peach Growers

W. E. SPROTT-----Porterville, Cal.
Manager Tulare County Citrus Fruit Exchange

E. E. OGDEN-----417 Market street, San Francisco
President California Cured Fruit Exchange

F. S. JEROME-----Watsonville, Cal.
Manager Watsonville Apple Distributors

T. C. TUCKER-----311 California street, San Francisco
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F. W. ANDREASEN-----268 Market street, San Francisco
Secretary State Dairy Bureau

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Anglo California Trust Company

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Vice President Southern Pacific Co.

C. THORPE-----Los Angeles, Cal.
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A. CHRISTENSEN-----Second and Mission streets, San Francisco
Wells Fargo Express Co.

ALBERT E. CASTLE-----106 Pine street, San Francisco
Castle Bros.

J. H. BONE-----155 W. Santa Clara street, San Jose, Cal.
California Prune and Apricot Growers Information Bureau

CHAS. H. BENTLEY-----120 Market street, San Francisco
Sales Manager, California Fruit Cannery Association

CARSON C. COOK-----Stockton, Cal.
Rindge Land and Navigation Co.

B. F. WALTON-----Yuba City, Cal.
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Poultrymen's Federation

Prof. THOS. F. HUNT-----Berkeley, Cal.
Dean College of Agriculture, University of California.

EDSON C. MERRITT-----Sebastopol, Cal.
Manager Apple Growers' Union.

J. C. MARTIN, JR.-----Balboa Building, San Francisco
President California Associated Olive Growers

J. H. STEPHENS-----P. O. box 434, Sacramento
President Grows Association

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LETTER OF TRANSMITTAL.

Honorable HIRAM W. JOHNSON,
Governor of California.

SIR: Section 16 of the State Commission Market Act provides that—

“The director shall make and submit to the Governor, on or before the first day of December of each year, a report, containing a full and complete account of its transactions and proceedings for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.”

In accordance therewith, I have the honor to transmit to you herewith my first annual report.

Respectfully,

HARRIS WEINSTOCK,
State Market Director.

San Francisco, December 1, 1916.

FIRST ANNUAL REPORT OF THE STATE MARKET DIRECTOR OF CALIFORNIA.

Honorable HIRAM W. JOHNSON,

Governor of California,

Sacramento.

SIR: As you will recall, some time during the latter end of 1915 you requested the State Rural Credits Commission (of which I am a member) to look into the merits of the State Market Act in order that you might be advised as to what action you should take thereon. You explained that you were not altogether sure in your own mind that it was to the best interests of the state to have the act carried into effect, and that you had signed it at the earnest request of the farmers throughout the state of California and largely in deference to their wishes.

You will doubtless further recall that after the investigations made by the Rural Credits Commission at its various public hearings, I made to you a verbal report on the matter and stated that we had found two divergent views of the act. One school of critics was opposed to the act on the ground that the state should not interfere by attempting to solve market problems but should permit the farmers to work out their own destiny in their own way. These critics maintained that the act presupposed that the farmer is a poor, dependent creature, incapable of attending to his own business, whereas it had been shown that the producers are entirely capable of cooperating, shipping, routing and selling all classes of rural products. They insisted that the producer should not be "bottle-fed" or "spoon-fed," and that if the state should carry out the provisions of the act, it would be a pernicious and paternalistic activity that would make the farmer less independent and effective than he now is.

On the other hand, we found that many were in favor of carrying out the provisions of the act literally and of having the state engage in the retail, wholesale, and commission business of selling farm products in every town and city of the state of California.

You will recall that I expressed myself as not being in harmony with either of the two foregoing views; that I felt that it was imperative that the state should come to the relief of the farmer and, by organizing producers into marketing associations, assist him in marketing his products, but that it should not engage in the actual business of selling, by commission or otherwise; that a State Market Director could be of very great service to the farm producers of California by performing the function of a market advisor and doing along marketing lines what the farm advisors do for the farmer along cultural lines; that individually the average farmer is helpless to better his marketing conditions,

but that collectively he could accomplish great results in minimizing waste in the cost of distribution and in broadening and widening his markets.

This conception of the State Market Act seemed to appeal to you very strongly and you expressed yourself as being in perfect harmony with the idea of the State Market Director performing the function of a state market organizer and advisor, more especially in view of the fact that—even if it were advisable for the state to engage in the retail, wholesale and commission business—the appropriation made by the legislature of \$25,000 for the two fiscal years was hopelessly inadequate and would make it a financial impossibility.

You further did me the honor of asking me to accept appointment as the first State Market Director of California and to endeavor to carry out the spirit of the measure by doing anything and everything that could be done along the lines of organizing growers and aiding them to improve their marketing conditions, very much as the Federal Office of Markets and Rural Organizations at Washington, D. C., has been doing with excellent results for the farmers of the nation.

With this broader view of the functions of a State Market Director clearly in the minds of us both, I accepted the trust which you conferred upon me and in that spirit have endeavored to carry it out.

I keenly realized at the outset that no State Market Director, whatever his powers, ability or policy might be, could hope to be of much assistance to the hundred thousand or more farmers as individuals, scattered throughout the length and breadth of the commonwealth from Siskiyou to the Mexican border, in bettering their marketing conditions. The only hope was that the state, through its Market Director, might organize the growers into more effective marketing associations, so that collective bargaining might take the place of individual bargaining, thus making it more nearly possible for the farm producers to get the value of their products and also more nearly possible to minimize the waste and expense of distribution, to the benefit of the consumers.

With this end in view (aside from acting as market advisor in the case of almost innumerable demands for marketing advice and counsel made upon this office), I have largely devoted my energies during the first year of the life of the Commission to organizing the growers of California, with the result that never before in the history of the state has there been so much activity along organizing lines as during this year of 1916, and the indications now are that in due course the farmers of California will be the most effectively organized farmers in America, especially along the line of marketing associations.

When this shall have been brought about, a great stride will have been made in the direction of bettering the marketing conditions of California farm producers, even though the activities of the State Commis-

sion Market should unfortunately be narrowed down, proscribed and limited to the function of establishing wholesale, retail and commission depots. Even in that case, the organization of growers, industry by industry, would have to be the foundation of any great measure of success that could be hoped for. It is, in my judgment, essential that each of our leading industries be effectively organized along marketing lines in order to regulate supplies, minimize gluts, and develop interstate and foreign markets, while filling the demands of our smaller markets at home.

For your information and as a permanent record, I give in some detail an account of the different marketing organizations which my office has either initiated or been actively identified with during the year now closing.

CALIFORNIA PEACH GROWERS, INC.

Prior to the creation of the State Commission Market, while I was serving as chairman of the State Rural Credits Commission, my attention had been repeatedly called to the deplorable market conditions affecting the growers of dried peaches. It was represented to me that from one-third to one-half of the 1915 crop had not even been harvested, because the growers could not expect to receive more than half the cost of production. The critical status of the industry was expressed in the *Corning Observer* of January 27, 1915, by Mr. F. G. Beresford, now a trustee of the California Peach Growers, Inc., in the following words:

"It is an indisputable fact that the consumer is paying on an average about 17 cents per pound for dried peaches and you are receiving 2½ to 3 cents. People may doubt this statement, but it is true."

In the hope of bettering conditions by collective action, an effort to organize the growers had been inaugurated during the latter part of 1915, under the leadership of an excellent promotion committee headed by Mr. William Glass, business manager of the *Fresno Republican*, but I was reliably informed that the success of the movement was problematical. As I was preparing to visit the largest cities of the East to investigate conditions and causes affecting the California dried fruit industry, Secretary Forbes advised Mr. Glass of that fact on November 15th and suggested that the leaders of the peach growers' movement might like to confer with me beforehand. Mr. Glass immediately wired that the Peach Growers Association Promotion Committee would be delighted to meet the State Market Director and to arrange either a mass meeting of growers or a conference with the committee. A conference was therefore arranged for Saturday, November 20th, and my first official act after filing my bond as State Market Director was to go to

Fresno and attend this conference. After an analysis of the situation, the new idea of having a representative of the state sit on the board of directors of a growers' organization was presented to the committee in a brief statement, of which the following is a part:

"I have found that perhaps the prime reason for a great majority of the peach growers hesitating to subscribe for membership in your proposed association is a feeling of fear on their part to obligate themselves for a period of five years, to entrust their crops for marketing into the hands of a board of seven directors whose character and abilities at this time are unavoidably unknown quantities. In other words, what is lacking on the part of prospective subscribers is a feeling of confidence in future possibilities. If this fear can be removed, I am satisfied you will have little or no difficulty in bringing practically every peach grower into your organization, since it must be evident that unless you follow the lines so successfully demonstrated by the raisin growers, there can be little or no hope for the future of the California dried peach industry. * * *

"In discussing this serious situation with Governor Hiram W. Johnson only yesterday, the thought suggested itself that perhaps the most effective way to silence such fears and to inspire the necessary confidence on the part of prospective subscribers would be to have a state representative on the board of directors of your proposed association, whose duty it would be to attend all the meetings of the board, to have a copy of the minutes of board meetings filed with the State Commission Market Director, and to report to such Market Director any weakness which might develop in the conduct or management of the association on the part of its board of directors; to have it then become the duty of the Market Director to investigate the affairs of the association; if need be, to hold a hearing; and to give the widest publicity to its findings—in this wise affording the fullest protection to the absent stockholder or subscriber, thus tending to secure wise, honest and economic management.

"It must, of course, be plain that this state representative on the board of directors would be occupying substantially the same position as does a state bank examiner in the supervision of state banks; and the statement has been made by authorities that the depositors in our California state banks, under the state bank examiner system, regard these institutions as models of security."

This suggestion met with the enthusiastic endorsement of the committee and on the same afternoon the proposition was tried out in a mass meeting of growers at Atwater. The effect of the announcement was communicated to me by Mr. Glass in a letter dated November 20th, as follows:

"Growers at the Atwater meeting took \$1,130 in stock in the company. I think that with your and Governor Johnson's endorsement things will go with a boom from now on."

Since my absence from the state would prevent me from lending my personal support to the movement, the Secretary of the Commission was instructed to prepare the largest possible mailing list of peach growers and to each of them was mailed a signed statement from my office, of which the following is the essence:

"I must make an especial appeal to the peach growers of California to organize, because their position at this time seems to be the worst among the farmers of the state. The market prices for their product is and has been—and unless some radical step is taken it is likely to continue to be—below cost, which of course must mean ultimate ruin to the peach grower.

"A group of public spirited citizens and peach growers, realizing the seriousness of the situation, are giving, without hope of reward other than the satisfaction that comes from rendering a public service, of their time, their means and their energies, to organize a California Peach Growers' Association. Their progress has not been as rapid as the end in view justifies.

"In my investigation thus far of the peach situation, I find that many peach growers hesitate to subscribe to the proposed organization, not because they do not keenly feel the need of organization, nor because they do not realize that if the present situation becomes permanent, ruin to the peach industry is inevitable, but because they hesitate to place the marketing of their crops for a period of perhaps five years into the hands of seven directors at this time unknown. It is the fear that these seven unknown directors may or may not prove fit that restrains them from taking the only step which it is possible for them to take, in order to save the peach industry of California from ruin.

"To meet and overcome this fear, after consultation with Governor Hiram W. Johnson, it has been suggested that the trustees of the proposed Peach Growers' Association elect as one of the proposed seven directors of the association a state representative, to be nominated by the Market Director, approved by the Governor, and elected by the proposed twenty-five trustees."

Immediately following the close of my investigation of dried fruit conditions affecting the New York market (a summary of which forms an appendix to this report), the following telegram was sent by me from New York to Mr. Glass, in order that he might communicate it to the peach growers through the press of the state:

"Investigation develops that only a limited number of Eastern jobbing houses buy California dried peaches for future delivery, thus minimizing the price received by the grower. If all the dealers could be afforded an opportunity to bid on dried peaches, the price to the grower would be materially increased. Therefore I believe that the system of selling at public auction in Eastern markets would make it possible for a dealer to supply his needs in New York on trade terms, where now he has to go to the few jobbers who can contract ahead of time by reason of their large capital to pay for

their purchases and thus absorb the profit which should go to the grower.

"My investigations to date show that only the middle-class consumers are using California dried peaches. Few, if any, of the wealthier people and (owing to excessive retail prices) scarcely any of the great masses living in the tenement districts of the great cities, know anything about California dried peaches or apricots. Sales at public auction will better prices to the grower and enlarge the volume of distribution; and this, together with a campaign of publicity to educate the consumer, will lead to very greatly increased consumption. With California dried fruit products graded, standardized and labeled by the state, the product would at once command the confidence of the auction buyer and insure to growers compensable prices and widest output."

That Mr. Glass was correct in his forecast that the organizing campaign would "go with a boom" is shown by the following telegram, which he sent to Secretary Forbes on January 8, 1916:

"At a meeting of the Promotion Committee of California Peach Association held this day, Colonel Weinstock and yourself were invited and requested to be present in Fresno on Wednesday next at 10 A. M. to attend the incorporation meeting of the company. A large attendance of growers is expected and your presence will be inspiring and encouraging."

As I was regrettably absent from the state at the time, the meeting was attended by Secretary Forbes, who addressed the seven hundred growers and business men present and assured them of the deep interest and support of the State Commission Market. The association was then incorporated under the name of the California Peach Growers, Inc., with a capital stock of \$1,000,000, of which \$360,000 had already been subscribed. The confidence of the growers was expressed by a resolution that the corporation would not begin business until \$600,000 had been subscribed and 75 per cent of the dried peach acreage of the state signed up. Twenty-five trustees were elected by the stockholders present at this meeting, and the organization was later perfected by the selection of the following officers: F. H. Wilson, president; J. F. Niswander, vice president and general manager; Al. Sutherland, secretary and treasurer.

Subsequent to this organization, the State Market Director maintained toward the California Peach Growers the same attitude of helpfulness, without in any way presuming to be officious in relation to its internal affairs. In March, for instance, I arranged for a conference in Fresno, at which Mr. E. L. Goodsell of New York (one of the highest authorities on problems relating to California fruits) addressed the peach and raisin growers on the subject of selling dried fruits in New York at public auction.

On May 18th, in a letter to Mr. Glass, I offered the assistance of my office to further any campaign for the extension of the markets for the

ensuing crop of dried peaches, calling particular attention to possibilities in South America. With the cooperation of the Federal Office of Markets, the United States Department of Commerce, and the Foreign Trade Department of the National City Bank of New York City, I secured encouraging expressions from importers and wholesale grocers throughout South and Central America, and these were communicated to the California Peach Growers, as were copies of letters received from jobbers engaged in handling dried fruit throughout the cities in the Eastern section of our own country. Owing to unsettled conditions, however, the association decided not to attempt export business during its first year, except through the regular dealers, and this decision was communicated to me by Manager Niswander on August 31st.

In connection with the seeking of foreign markets, I had sought to emphasize the importance of having California dried peaches graded, standardized, inspected and labeled by the state, in order to ensure greater confidence in foreign markets. To this suggestion Manager Niswander replied (under date of May 24th) that the organization was not prepared to undertake this reform during the present season. I then expressed the opinion that it was highly important that standardization be introduced by the association in its very beginning, in view of the value it would have in the proposed publicity campaign and in any effort to reach South American markets. A further argument set forth in my letter was as follows:

“If there is any time that your association will need credit and will further need to be in a position to borrow money on your warehoused products, it will be your first year when you have not the strength that you hope to have in future years. With several hundred thousands of farmers’ notes in your possession as an added security, plus a standardized and inspected and labeled product in the warehouse, you will be in a position not only to borrow money on your warehoused product locally, but also in the more favorable American money markets at the lowest rates of interest.”

At Manager Niswander’s request, I suggested the following as one of the tentative plans by which standardization might be effected: Have the Peach Growers select a committee—say, three of its ablest men—and also have the packers and jobbers select a corresponding committee; then ask the University of California to name a representative, thus creating a joint conference to work out a system of standardization which, in turn, the State Market Director would submit for the criticism and approval of the Federal Office of Markets, which has on its staff men who are experts in these matters. However, I have not been able to convince the executive committee that this, or some other plan of standardization, is feasible at the present time.

At the request of the organization, I made investigations in June to see what assistance might be expected from Eastern banks in financing

the California Peach Growers, Inc., with warehouse receipts as security. At that time the manager reported that the Peach Growers had \$76,000 cash assets and a balance in 7 per cent interest-bearing notes aggregating \$700,000, due in one, two and three years. As I anticipated, the Eastern banks reported that they were not prepared to do business until a substantially larger amount of capital had been subscribed in cash. However, on June 17th I was advised by Mr. Niswander that financial conditions were shaping themselves very satisfactorily and that it was barely possible that they might be able to handle the present peach crop without borrowing a great deal of money. The management has also fortunately been able to make satisfactory negotiations for packing houses adequate for handling this year's crop, and has been very skillful in its relations with the commercial packers, whose lack of enthusiasm over the organization of the growers was not wholly unexpected. As an evidence of what this movement has meant to the producer, the Peach Growers announced on June 7th that representatives of the packers were in the field and offering 6 cents a pound for dried peaches, as against the prevailing price of 2 to 2½ cents at the same time last year. It was also reported that \$32 per ton was being offered for Phillips Clings, while last year the growers were receiving only from \$7 to \$17 per ton.

In closing this summary of the work of the California Peach Growers, Inc., it is fitting that I should say that the officers and directors of the company have been very appreciative of the state's willingness to aid the movement. This appreciation was informally expressed by Mr. Glass on February 5th, in a letter from which the following paragraph is taken:

"The trustees and directors of the California Peach Growers, the large stockholders, and all the big men of the movement appreciate your assistance and endorsement, and I know I speak for all when I take this occasion to extend the thanks of the promoters to you."

THE POULTRY PRODUCERS OF CENTRAL CALIFORNIA, INC.

The organization of poultrymen representing more than a million hens in the districts tributary to the San Francisco market is not only one of the most satisfactory achievements of the first year of this Commission, but is also the one which most distinctly serves to indicate the lines along which organization in general can be conducted with the highest degree of success and the least chance of failure. As the following statement will show, preliminary conferences extending intermittently over a period of seven months preceded any organization campaign, with the result that the right kind of a subscription agreement was formulated, a large committee of representative and enthusiastic poultrymen was

formed, the sectional differences existing in various districts were adjusted, and the wishes of the producers carefully consulted in advance of any appeal for organization.

The present organization is the direct outgrowth of a letter written on December 2, 1915, by Mr. John M. Murphy, of the Sonoma County Poultry Producers' League of Cotati and Penngrove. The letter explained that newspaper references to the newly created State Commission Market led the writer to hope for some relief to the poultrymen of his neighborhood, whose condition he represented as follows:

"I have not the least doubt in saying that 80 per cent of us are going behind. We have organized but always accomplished very little. In some manner or other, our enemies defeated us. At present, I have organized about thirty poultry farmers who are determined to stand together. So far we have made no public move. I shall be pleased to have an interview with you."

As I was then absent in the East, Secretary Forbes arranged for a conference with Mr. Murphy, who explained a wish to establish a method of marketing eggs direct from the producer to the consumer. With this end in view, Mr. Forbes interested the industrial agent of one of the large express companies, who made a survey of the situation but was not able to offer any practical solution.

On December 15th the league held a meeting and invited Secretary Forbes to come to Penngrove and address its members, which he did. This was the first of many public meetings that have been held in Sonoma County and elsewhere and which finally resulted in successful organization.

In the meantime, a committee headed by Mr. A. Sychrowsky, of the Sonoma Valley Poultrymen's Association, had called on Secretary Forbes for advice regarding some legal difficulties in which that organization of about twenty poultrymen had become involved, and this visit led to correspondence on the subject of organization. Upon my return from the East, I held a number of conferences with these and other poultrymen and thereupon sent out a detailed questionnaire to all of the poultry producers whose addresses could be hurriedly secured.

As was anticipated, only a small percentage of the poultrymen took the trouble to reply, but of those who filled out the blank the consensus of opinion was overwhelmingly in favor of organization on a capital stock basis. In answer to the query whether they would be willing to subscribe to capital stock on the basis of \$20 per thousand hens, 99 per cent replied "Yes," and only a few left the matter in doubt.

The wish of the poultry industry being thus clearly expressed, I began a series of conferences in my office, to which all of the poultrymen who seemed most interested were invited, and when it at last became evident

that a basis of organization satisfactory to the different districts could be agreed upon, the following poultrymen were (July 12, 1916) constituted as the promotion committee of the Poultry Producers of Central California:

J. H. Barber, Livermore; T. J. Taylor, Hayward; Morris Brooke, Sacramento; J. M. Murphy, Petaluma; Hon. Knox Boude, Sebastopol; A. Cunningham, Petaluma; A. Sychrowsky, Sonoma; C. C. Roe, Petaluma; F. H. Snow, Petaluma; J. M. Bicknell, Hayward; Geo. Petersen, San Lorenzo; Dr. C. K. Hale, Santa Cruz; P. F. Ball, Sebastopol; Chas. Romwall, Petaluma; N. M. Jensen, Petaluma; A. J. Geandrot, Hayward; Gus Brown, Hayward; P. R. Lyding, Sebastopol; F. W. Dobbelt, Sonoma; T. Howard Hanson, Petaluma; J. M. Abeel, Sebastopol; R. H. Waite, Penngrove; F. O. Leloh, Petaluma.

Much credit is due the members of this committee for their patient work in devising a comprehensive and legal subscription agreement to be submitted to the poultrymen for signatures. In many respects it is a model for this form of organization, and I therefore insert it as an appendix of this report.

Up to this point the State Market Director had been able to personally guide the proposed organization along safe and sane lines and also to smooth out many differences which by a more hasty method would have minimized the chances of success. When everything was ready for the actual campaign, the promotion committee expressed a wish that the State Commission Market would itself actually conduct the organizing campaign. I thereupon detailed Secretary Forbes, who cheerfully consented to serve without pay as secretary to the promotion committee and to act as campaign manager, in connection with his regular duties in the office. His work as organizer was under the supervision of a subcommittee of three and was conducted at first entirely by correspondence. By September 1st, 300 of the requisite 1,000 shares had been signed up, and the subcommittee then placed its first solicitor in Sonoma County. On September 19th a second solicitor was employed and four others were at different times engaged for temporary service, but the work of organizing was accomplished mainly by a field staff of only two men. This unusual success was due to the fact that the field work was supplemented by a continuous stream of letters from the Market Director's office, which secured many signatures.

It had been specified that unless a thousand shares should be subscribed by January 1, 1917, the effort to organize would be abandoned. On October 30th, two months in advance of the date fixed, the promotion committee was called together and notified that 1,016 bona fide subscriptions had already been secured and that the business of incorporation might be proceeded with. As State Market Director I notified all

of the signatories, a corporation attorney was immediately engaged, and the articles of incorporation were filed with the Secretary of State on the following day. The incorporators who were to serve as temporary directors were elected by the members of the promotion committee present and were as follows:

J. H. Barber, Livermore; Morris Brooke, Sacramento; Knox Boude, Sebastopol; A. Sychrowsky, Sonoma; C. K. Hale, Santa Cruz; Chas. Romwall, Petaluma; N. M. Jensen, Petaluma; F. W. Dobbel, Sonoma; T. Howard Hanson, Petaluma; R. H. Waite, Penngrove; W. C. Wallace, Hayward.

At the unanimous request of the incorporators, Secretary Forbes was asked to serve temporarily as secretary of the corporation and to continue the membership campaign. Having been specifically authorized by the incorporators to do so, he arranged for primaries to be held in all the districts on November 18th, and the elections resulted in the following ten poultrymen being chosen as directors for the first year:

J. H. Barber, Livermore; N. M. Jensen, Petaluma; Chas. Romwall, Petaluma; A. Sychrowsky, Sonoma; P. R. Lyding, Sebastopol; Wm. Evart, Penngrove; Charles Weeks, Palo Alto; Charles K. Hale, Santa Cruz; James D. Yates, Modesto; L. W. Eskridge, Sacramento.

It having been provided that the eleventh director should be appointed by the State Market Director, to represent all the stockholders and to keep this Commission in close touch with the business management of the corporation, Mr. Edgar Allen Forbes, of San Francisco, was by me appointed as such director, after due consultation with the poultrymen and with the approval of the Governor of the state.

These directors held their first meeting on December 9, 1916, and elected the following officers:

Charles Romwall, president; J. H. Barber, first vice president; A. Sychrowsky, second vice president; Edgar Allen Forbes, secretary; Anglo & London Paris National Bank, Depositary.

POULTRY PRODUCERS OF SOUTHERN CALIFORNIA.

On April 14, 1916, the Poultrymen's Cooperative Association of Los Angeles, numbering some four hundred members, sent me a telegraphic invitation to address its annual meeting on May 5th. I accepted the invitation and outlined my ideas of the most profitable manner in which its eggs might be marketed. These suggestions led to a number of conferences with the poultrymen of the southern part of the state, and I submitted to their existing association the plan of organization that

had been adopted by the promotion committee of the Poultry Producers of Central California, and advised its adoption. The suggestion was taken under advisement and on September 29th I received the following telegram:

“At a general meeting held twenty-eighth, three hundred poultrymen agreed to pool along your plan. Will you meet with local board next week to arrange modified plan to fit local conditions?”

Accordingly, I met in conference with the local board of directors on October 10th and the subscription agreement of the Poultry Producers of Central California (which had been drafted in my office) was adopted, with certain modifications. Immediately a campaign to secure subscribers representing 400,000 hens was inaugurated and to this the State Market Director gave active support, both by correspondence and by addressing meetings of poultrymen in many parts of the southern territory.

The final result is that I have been notified by Secretary Frank B. Smith that the requisite number of subscriptions has already been secured and (as provided in the subscription agreement) I have notified the signers that incorporation may now be proceeded with. December 15th has been fixed as the date of incorporation and I have arranged to be present to assist in guiding the new organization into the proper channels.

The poultrymen of the entire state have therefore been successfully organized during the present year and the two strong marketing associations will now be in a position to give their members what they have never yet had—a voice in determining the price which they are to receive for their product.

THE ASSOCIATED MILK PRODUCERS, INC.

Early in December, 1915, while I was absent in the East, Mr. F. X. McGuire, assistant secretary of the Bay Counties Dairy Company, came to the office of the State Commission Market to ask assistance in organizing the dairymen who supply San Francisco with milk. He explained to Secretary Forbes that there were about two hundred dairymen shipping about 28,000 gallons of milk daily, to about sixty dealers, the bulk of the supply going to about eight distributors. It was claimed by Mr. McGuire that the dairymen as a rule were not receiving a living price for their milk, and that three successive attempts had been made to organize the producers, with discouraging results.

The third attempt had ended in the formation of the Bay Counties Dairy Company, on a cooperative basis, with a membership of about 95 dairymen, representing eight Bay counties. To assist its members in meeting the requirements of the new state law, it was proposed to establish a large central depot in San Francisco, for pasteurization and other purposes, and the organization had secured subscriptions amounting to only \$33,000 of the \$45,000 required, and was at a standstill.

Secretary Forbes assured Mr. McGuire of the cooperation of the State Market Director, and arranged for me to address a mass meeting of dairymen at the Produce Exchange, which I did on February 1, 1916. This meeting showed great enthusiasm, and the dairymen present immediately subscribed the full amount necessary to establish a plant of their own, and the work of organization went forward from that date with renewed energy. The Associated Milk Producers was incorporated on March 16th, with \$50,000 capital stock subscribed.

On February 17th, I was able to bring together in my office a committee representing the dairymen and a committee from the San Francisco distributors, in the hope that a working agreement between the two organizations might be effected. At that meeting the committee from the dairymen declared the average cost of producing milk to be 14 cents, without including transportation, interest on investment, and fluctuation in the market price of cows. They insisted that the most conservative estimate would place the cost of laying down a gallon of milk in San Francisco at 16 cents, and probably more; that during 1913 the average price of milk, f.o.b. San Francisco, was 18 cents to 18½ cents per gallon, but that the price had dropped on an average of 1 cent a year, and that during the present year some milk had been sold to retailers in San Francisco for as low as 13 cents; that meanwhile rentals, taxation, feed and labor cost had advanced steadily and that the industry was facing bankruptcy.

On the other hand, the distributors insisted that the average cost of production for a gallon of milk was not 16 cents, f.o.b. San Francisco, and that there were plenty of dairymen who were willing to sell their milk at prices lower than that, which was an indication that it was profitable for them to do so.

Since both sides were apparently willing to get together, but could not do so until the cost of producing milk was definitely determined, the conference adjourned, in order that the State Market Director might begin an investigation to show the cost of production. This proved to be not an easy task, in view of the fact that very few dairymen had kept accurate and complete cost sheets. However, satisfactory figures were

eventually secured from six different sources, and the tabulation of the data gave the following results:

FARM COST OF A GALLON OF MILK.

July, 1916.

Itemized Data From Six Leading Dairymen.

| Dairy number | Feed, cents | Labor, etc., cents | Over-head, cents | Miscellaneous, cents | Total gross cost, cents | Value of by-products, cents | Net farm cost, cents |
|---------------|-------------|--------------------|------------------|----------------------|-------------------------|-----------------------------|----------------------|
| 1 ----- | 7.54 | 4.17 | 1.25 | 2.00 | 14.96 | .76 | 14.20 |
| 2 ----- | 5.35 | 6.66 | 3.39 | 1.35 | 16.75 | 2.63 | 14.12 |
| 3 ----- | 9.24 | 3.53 | 4.02 | .30 | 17.09 | 1.53 | 15.56 |
| 4 ----- | 8.04 | 7.86 | 3.18 | .84 | 19.92 | 5.22 | 14.70 |
| 5 ----- | 2.07 | 7.20 | 5.03 | 3.60 | 17.90 | 2.25 | 15.65 |
| 6 ----- | 9.35 | 3.06 | 2.74 | .41 | 15.56 | ----- | 15.56 |
| Average ----- | 6.932 | 5.413 | 3.27 | 1.416 | 17.08 | 2.065 | 14.965 |

TOTAL COST OF A GALLON OF MILK.

Delivered in San Francisco.

| Dairy number | Number of cows | Gallons produced | Farm cost per gallon, cents | Transportation to San Francisco, cents | Total cost f. o. b. San Francisco, cents |
|---------------|----------------|------------------|-----------------------------|--|--|
| 1 ----- | 300 | 233,145 | 14.20 | 2.20 | 16.40 |
| 2 ----- | 150 | 80,300 | 14.12 | 1.05 | 15.17 |
| 3 ----- | 150 | 102,000 | 15.56 | 1.00 | 16.56 |
| 4 ----- | 81 | 54,049 | 14.70 | 1.50 | 16.20 |
| 5 ----- | 170 | 69,893 | 15.65 | 2.30 | 17.95 |
| 6 ----- | 1 | 698 | 15.56 | 1.00 | 16.56 |
| Average ----- | 142 | 540,085 | 14.965 | 1.506 | 16.473 |

Following on the heels of this investigation, which clearly proved the contention of the dairymen that milk could not be delivered in San Francisco for less than 16 cents a gallon, negotiations proceeded between the producers and the distributors, with the final result that a tentative contract was entered into, whereby the distributors agreed to take at least 7,000 gallons of milk daily for a given time, at a flat rate of 16½ cents, and that they would eventually secure their total supply only from dairymen who had become members of the producers' organization.

Meanwhile, the dairymen had proceeded to establish in San Francisco a modern pasteurization plant, with a capacity of 6,000 pounds of milk an hour, together with butter and cheese making machinery, to take care of the surplus milk. It was not the intention of the dairymen to themselves engage in the actual distribution of milk to the consumer; but it was eventually found that several important distributors would

not become a party to the agreement entered into by the distributors' association. The Associated Milk Producers thereupon inaugurated a campaign of distribution to the consumer, but limited their competition to the milk routes of the distributors who were outside of the agreement.

At the present time (December 1, 1916) conferences are being held between the producers and the distributors, with a view to making permanent arrangements for the handling of milk in San Francisco. The success of these negotiations will depend upon their ability to agree upon a price which will ensure to the dairymen a reasonable profit, and which will, at the same time, not place an excessive burden upon the distributor, and through him upon the consumer. It is being proposed by the dairymen that a committee of three from each side shall be appointed, and that this committee shall act as a price-fixing committee in conjunction with the State Market Director, who, in the event of inability to agree, shall act as arbitrator. If the negotiations between the producers and the distributors should fail to bring about the desired results, the Associated Milk Producers have announced that they will themselves engage in the business of distributing milk in San Francisco direct to the consumer. Since, in that event, the price of milk to the housewife is not expected to decline, it is hoped it will be possible to adjust all differences so that milk will continue to be distributed in the city by means of the existing machinery, and that a disastrous milk war may thereby be averted.

The following comment upon the services rendered to the dairymen by the State Commission Market is here incorporated as a matter of public record:

SAN FRANCISCO, CAL., June 27, 1916.

Colonel Harris Weinstock,
State Market Commissioner,
Underwood Building.

DEAR SIR: At a meeting of the executive committee of the Associated Milk Producers held at its new quarters at 53 Clay street yesterday, a general survey of our work for the last three months was made. There were present Mr. G. M. Lewis, Mr. F. A. Machado, Mr. Frank Maguire, Mr. Frank I. Lemos, Mr. M. T. Freitas, and Mr. S. J. Hankins. It was in the nature of a "stock-taking" or "squaring-up" meeting, as our officers have been so busy for the last three months with the details of organization that they have not had sufficient time to review the situation as a whole. These gentlemen were not inexperienced in the field of business and could easily balance all accommodations and obligations by the time-worn method of monetary considerations, but when it came to balancing our heaviest debt—one of appreciation and gratitude to you—we all

confessed that we were "stumped." The sensation of being able for the past three months to have on call expert assistance and advice on any and all occasions and constantly receiving the serious and valued assistance of yourself, your secretary, Mr. Forbes, and your Commission, always courteously and seemingly gladly given, and without charge, was decidedly a new one.

After struggling in vain for three years to form an association among themselves unaided, and at a time, three months ago, when the producers of market milk were thoroughly disheartened and about to despair of ever accomplishing cooperation, your consent to appear at a mass meeting and your advice and words of encouragement, therein given, created a stimulus that nothing else could have created, leading us to final accomplishment. That we are not overstating the case is shown by the accomplishment of one hundred and thirty united milk producers who, as a corporate body, since you interested yourself in their welfare, have succeeded in selling 12,000 gallons daily in San Francisco; have created a modern sanitary milk plant at 53 Clay street, in this city, unexcelled by any in the United States, according to the opinion of experts, and in addition, established subsidiary plants in Santa Clara Valley and at Tracy, easily disposing of our surplus milk in the most economical manner possible.

We, therefore, voted, in lieu of the usual commercial entry, an expression of appreciation and gratitude to the state of California for the services rendered through your office, and would close the account with a huge "thank you," did we not hope for future guidance from your Commission.

Very truly yours,

ASSOCIATED MILK PRODUCERS,

(Signed) By M. G. LEWIS, President.

THE PACIFIC RICE GROWERS' ASSOCIATION.

One of the most recent agricultural industries of great promise to be developed in California is the rice industry. In more recent seasons the planting of this product has increased by leaps and bounds. The yield for 1915 is said to have been about 850,000 sacks for the state, and the estimated yield for the present season of 1916 is in the neighborhood of two and a half times that amount.

One explanation for this rapid growth of acreage devoted to rice culture is the fact that much land that is almost worthless for any other purpose will grow rice in more or less abundance. Thousands of acres that for any other crop would not pay interest on a valuation of \$2.50 an acre, can in rice be made to pay remunerative interest on a valuation of from \$50 to \$100 an acre. California has within its boundaries millions of acres of low-quality land scarcely fit even for

pasturage which can, so to speak, be reclaimed for rice culture and thus be made to add enormously to the taxable wealth and the productivity of the state. Rice can be grown, for example, on alkali lands that are useless for other crops. The statement has even been made by men who are regarded as reliable authorities that where rice has for several seasons been cultivated on alkali land, the abundant water needed for such cultivation in due course washes out the alkali and practically reclaims the land for other profitable crops.

It can, therefore, be readily seen that it is thoroughly worth while for the state to render aid in every possible way to those engaged in rice culture, in order that the industry may be developed and made one of the permanent and profitable resources of the commonwealth.

To do this, however, it becomes necessary to remedy certain existing evils in California rice culture, and to bring about various betterments in the industry, including—

(a) A more scientific method of production, made necessary by the fact that (as the result of ignorance and inexperience in raising the crop) much inferior rice has been marketed. This, in the markets of the world, has seriously injured the good name of California rice, to the present and future disadvantage of the industry.

(b) A proper system of grading and standardizing, so that purchasers may buy with safety. This is of special importance in view of the possibility of capturing certain markets of importance in other countries.

(c) Federal legislative action to secure adequate protection for this infant agricultural industry, in view of the fact that rice will probably soon be on the free list, which will make it very difficult, if not impossible, for California rice producers successfully to compete with rice grown in the Orient.

(d) A national publicity campaign along the lines successfully followed by the California citrus growers and raisin growers, and by the national distributors of milk products, who have all greatly increased consumption in their respective activities by collectively conducting national educational campaigns.

(e) The promotion of a spirit of cooperation among the various racial groups engaged in the production of California rice, in order that they may be able to act as a unit in marketing, however widely they may differ in other respects.

(f) Scientific collective marketing, which will minimize the evil results and the demoralizing marketing effects of thousands of individual growers ignorantly and unwittingly underbidding each other, thereby contributing to the sole benefit of the buyer.

It is plain to be seen that these reforms can not be brought about by individual action. Individually, even the large grower is helpless in any way to minimize these evils and to bring about better conditions.

During the season of 1915 an organization of growers known as the Pacific Rice Growers Association was perfected in Biggs, to meet the problem of marketing. This organization was local in character and represented but a very small fraction of the total output. This state of affairs, together with the fact that the management had no past experience to guide it, brought results that were more or less disappointing in character.

The State Market Director realized that, in order for the state to be of any service to the rice growers, the first step must be along the line of bringing into life a strong and state-wide growers' association. With this end in view, a conference was called to meet in his office on June 29, 1916, at which were present by invitation leading rice growers from the various rice-growing sections of the state. This group organized itself into a promotion committee, taking the small existing organization known as the Pacific Rice Growers Association as a nucleus, and started out to make it a state-wide association, with a view to controlling the largest possible rice acreage.

The board of directors was enlarged and the ablest representatives from the various rice-growing districts were elected thereto. The board now consists of the following officers and directors:

Officers.

J. H. Stephens, president; H. O. Jacobson, vice president; Ernest E. Behr, manager.

Directors.

J. H. Stephens, Sacramento District; W. S. Gaum, Marysville District; L. F. Lavers, San Joaquin District; H. S. Gingg, Marysville District; Dr. F. G. Burrows, Yolo District; J. L. Stevens, Yolo District; W. K. Brown, Colusa District; J. F. Campbell, Colusa District; Charles L. Donohue, Willows District; Ernest Behr, Willows District; H. O. Jacobson, Chico and Butte City District; Clay B. Harris, Richvale District; A. F. Lofgran, Richvale District; Dr. C. M. Ferris, Gridley District; R. E. Fields, Biggs District; W. E. Barnard, Biggs District.

Executive Committee.

J. H. Stephens, H. O. Jacobson, Ernest E. Behr, Dr. F. G. Burrows, W. K. Brown, Chas. L. Donohoe, A. J. Lofgran.

Mr. Walter Smith, of Oroville, a merchant of long experience and high standing, was named by the State Market Director, approved by Governor Johnson, and elected as a member of the board of directors, as a state representative to safeguard the interests of absent members.

The directors were fortunate in securing Mr. Charles E. Virden, the general manager of the California Fruit Distributors (which does a business of about \$18,000,000 a year, and which has selling machinery covering every important market in the country) to act as general sales manager for the rice output.

Mr. Virden's first activity was to perfect arrangements with the banks of the city of Sacramento for advances up to \$700,000 on warehoused rice, and more, should conditions warrant it. This would enable members of the association to store their rice while awaiting a remunerative market, in place of being obliged (because of pressing need of ready money) to sell immediately after harvest, thus tending to glut the market and to kill prices.

An aggressive campaign was then inaugurated throughout the rice districts, and public meetings of rice-growers were addressed by the State Market Director and others, on the importance of organization. This campaign was handicapped by the fact that it was not begun early enough, for the date of October 31, 1916, had previously been fixed as the time limit. Besides, many of the Orientals engaged in the industry, representing approximately one-half of the acreage, had already signed contracts covering the 1916 crop. Consequently the campaign fell short of securing the required acreage, and the market plans for the present year were suspended. The work of organization continues, and there is every reason to believe that for the coming season the rice crop will be largely controlled by the growers, who collectively will be in a position to market it scientifically and to bring about the reforms needed to place the industry on a sound and permanent basis.

Meanwhile, the State Market Director placed himself in correspondence with a large number of South and Central American rice importers, many of whom expressed themselves as very much interested in the purchase of California milled rice. The growers, however, are not as yet in position to do their own milling, so the names of the prospective foreign buyers were handed over to the leading California rice milling companies, with the knowledge that if newer and broader markets can be opened for the California milled product, the grower and the industry must be benefited thereby. The following extracts from correspondence received by the State Market Director will serve to indicate the opportunities in that direction:

CENTRAL AMERICA.

No. 1.

Panama: "You may be interested to know that whenever prices have been right we have made importation of rice from New Orleans, but until the receipt of your letter we were not aware that California had rice available for export." They asked for samples and prices, and gave specifications as to the kind of bags.

No. 2.

Panama: "If you will send us samples and prices, and if the quality and quotations are favorable to this market, we shall have much pleasure in entering into business relations with you."

No. 3.

Panama: "As far as we are aware, no California rice has been imported here, the demand running in Chinese and Saigon rices, of which considerable quantities are shipped here via San Francisco. There can, however, be no harm in your sending us samples and quotations for comparisons with these grades, and we shall be very pleased to consider same and advise you of the result."

No. 4.

Venezuela: "We are importers of rice but so far have only brought it in from New Orleans, and often Rangoon rice from New York. We see no difficulty in bringing it from your side too, but must first have samples and quotations."

No. 5.

Venezuela: "We have already done some considerable business with Texas rice and should be pleased to receive samples and c. i. f. quotations for the various types produced in California. On receipt of these samples we should cable you for a firm offer for such types as we were interested in. We are willing to pay cash against delivery of shipping documents to our agents in New York."

No. 6.

Venezuela: "We are constant buyers of rice of cheaper qualities, and shall be pleased to consider any offers."

No. 7.

Venezuela: "It is true that much can be done between that country and this. Although rice is cultivated here, a good business is made with said grain and important importations are regularly made from your country, which before the war were received from Germany and England. We are sure that you can do better, and you will of course get the business. In the case that qualities, prices and conditions of payment suit us, surely we will give you large orders in the future."

No. 8.

Colombia: "We are in the habit of importing large quantities of Rangoon rice, payment being made against shipper's bill of lading presented to our bankers in New York. We are sending you a sample of the grain we are accustomed to import, and if your state can supply us with an equal or similar quality we should like to receive quotations."

No. 9.

Chile: (This firm, which has places of business in four Chilean cities, gave detailed specifications regarding shipment and conditions of payment, and requested samples and quotations.)

No. 10.

Chile: "We bring large quantities from Texas, and if there would be some advantage for us we would be willing to import rice from your side." They request samples and give specifications.

No. 11.

Chile: (This firm, writing from their headquarters in Chile, where they have seven houses, make the same reply as from their Venezuela headquarters, quoted above.)

SOUTH AMERICA—EAST COAST.

No. 12.

Paraguay: "I am interested in importing rice from your state and to have direct connections with the producer. To be able to do this, I am disposed to pay for my orders cash here against bill of lading. If you have a serious producer on hand, I am disposed to make a trial without delay, authorizing him to ship by first steamer 200 bags of 100 pounds each. If the prices of this trial order are more favorable than those which I receive from the exporters of New York, you will secure my orders and I will even consider contracting for a part of the ensuing crop."

No. 13.

Banco Agricola del Paraguay (a government institution which buys rice in quantities and sells it at cost to decrease the cost of living among the poor): "We shall be glad to have you send this bank samples and prices per 100 kilos, together with freight rate from San Francisco to Buenos Aires."

No. 14.

Argentina: "You may send us samples and lowest prices of the rices to which you refer. When we examine them, if we find them satisfactory, we shall do some business with you in the future."

No. 15.

Brazil: "Please send us samples, and make us a firm offer at the lowest possible price, payment to be at twenty days sight."

No. 16.

New York: "We are interested in purchasing rice and would be glad to have you put us in touch with the different producers of this commodity in California. If you will have them write us at once, sending samples and quoting prices, we shall appreciate it."

PRUNE AND APRICOT GROWERS.

One of the most important activities of the State Market Director's first year of service has been his continuous effort to assist the prune and apricot growers to form an adequate marketing organization. The significance of this movement is shown by the following statement issued by the Growers' Information Bureau of San Jose:

"The dried prune and apricot industry is one of the most important in California. The sale of its product brings to the state from \$7,000,000 to \$11,000,000 annually. Not less than \$85,000,000 is permanently invested in the industry. Of this vast amount of capital, all but a few paltry millions is supplied by the grower. The packer never uses more than a few millions and the greater part of what he does use is supplied by the banks. The grower has \$50 invested in the business to each one invested by the packer. Is it any wonder then that the grower is today asking that he have the dominant voice in the control of the industry in which he gains his living? This demand for control would not be so insistent if the growers could believe that the industry is now directed efficiently. The thinking grower believes that the present system of marketing is fundamentally wrong. He is sure that a centralized control in which he has the dominant voice is not only

advisable and desirable but is a positive necessity if the industry as a whole is to be properly developed and protected.

"The observing grower has seen during the past 13 years the domestic consumption of California prunes fall from an annual average of 115,000,000 pounds to less than half of that quantity. The domestic consumption of apricots shows a similar trend, as during the five-year period ending 1902 the people of the United States ate on the average 17,000,000 pounds annually; for the five years ending 1914 the domestic consumption was approximately 9,000,000 pounds. The thinking grower knows that this decline in the use of his product is due, in part at least, to the fact that the American people have not been invited to eat prunes and apricots. He knows that no single packer or grower can afford to extend this invitation. He knows that collectively the growers can afford to invite the world to partake of their products and he knows further that the world will accept his invitation.

"During the past five or six months the prune and apricot growers of California have thought and talked organization more intelligently and thoroughly than ever before. That this agitation has had its effect on prices is conceded in all quarters. Even such seemingly small and incomplete movements as the recent pool in spot prunes and the action taken at the recent apricot growers' meeting have had an immediate and marked beneficial effect on the market. It is obvious that a well-organized association controlling the industry would have a much larger and farther reaching beneficial effect."

As a solution of their problems, the prune and apricot growers of the Santa Clara Valley had proceeded in the manner described in the following letter to a number of county horticultural commissioners:

"In May of last year it became known to the growers of Santa Clara County that the packing interests had sold a thousand cars or more of prunes at $3\frac{1}{2}$ cents and that a number of growers had already sold for this price and some for less. Also that apricots were being bought at 6 cents.

"In support of these low prices the packing interests claimed an immense crop of both these fruits in Santa Clara Valley and further that there would be no export trade in 1915 owing to the European war. Both of these claims have proven erroneous.

"A mass meeting of the growers was held in San Jose's Chamber of Commerce rooms at which twenty or more districts in the valley were well represented.

"The meeting developed the fact that there would not be more than 70,000,000 pounds of prunes and only 65 per cent of the 1914 crop of apricots. Prices for the latter in 1914 averaged to the grower $10\frac{1}{2}$ cents.

"These estimates proved larger than the actual crop results.

"The growers unanimously agreed to hold prunes for a 5-cent basis. Apricots were considered worth $8\frac{1}{2}$ to 9 cents.

"Upon the suggestion of Mr. J. O. Hayes, of the *San Jose Mercury*, a representative from each district was selected to constitute a bureau of information and make semi-monthly reports on

market and crop conditions as a guide to the growers and hold prices to a living basis.

"Prunes ultimately went to 5 cents and the bulk of the apricots sold at 8 and 8½ cents, thus saving to the growers a million dollars or more."

Since I had already (in November, 1915) pledged my hearty support to the prune and apricot growers of the state, Mr. Joseph H. Bone, chairman of the Growers' Information Bureau, invited the State Market Director (on January 3, 1916) to address a mass meeting at San Jose but other engagements prevented me from accepting it until January 19th, on which date I addressed the growers as follows:

"I have listened to the addresses that have preceded me, and to the report of your committee, upon which you are about to vote. The frame of mind in which I have been left is this: First of all, I think the gentlemen composing your committee are entitled to your hearty appreciation for the earnest and the unselfish work that they have done and are doing in your interest. I think that the report as submitted is an excellent report and deserves your adoption. My only criticism of the report is that it does not go far enough. In other words, from my point of view, it is efficient but not sufficient, and I hope before I get through to have you convinced of that as thoroughly as I am convinced of it.

"Information is certainly of value. Information to the mind is what the eye is to the body. It enables one to see, and one may almost as well be physically blind as to be mentally blind. Yet, while information and intelligence are important, they are not sufficient.

"Let me illustrate that in a crude and imperfect way. Imagine two men unjustly in prison behind thick walls. Imagine one man dull and stupid, having no conception of the value of liberty. Imagine the other, keenly intelligent, keenly appreciating the value of liberty, and yet utterly unable to gain his liberty. The appreciation of liberty, after all, is very little satisfaction if one can not gain his liberty. Information, which is the objective of your proposed plan, is good so far as it goes, but what good does it do you to know that prunes are selling in the retail markets of the East at 15, 16, 18 or 20 cents a pound if at this end you can only get a fraction of their value? It simply makes you chafe all the more under the knowledge that you are not getting the worth of your product. What you want is to make it possible to get every cent that the product is worth.

"I want to make sure that I know what you want, because it is my duty as a public servant to endeavor to secure for you what you want, if it is obtainable. I am going to assume the following as facts, and if I am in error you can set me right:

"(1) You want to get the fullest possible information about your products.

"(2) You want every penny your product is worth.

"(3) You want to broaden the market for your product so as to insure the absorption of the steadily increasing crop to follow.

"(4) You want to be in a position to be able to borrow whatever money you may need on your warehoused crop in order to prevent it from getting into a 'glut,' and to borrow it at the world's lowest market interest rate.

"(5) If it were possible for you to get every penny your product is worth; if it were possible for you to develop the foreign markets to their limit for your product; if it were possible for you to hold your fruit until it could be absorbed at a living price; if it were possible for you to borrow money at the world's lowest rate of interest so that you might do that very thing; if it were possible for you to do all those things, you would not be satisfied with information and nothing more.

"If I can show you the way to get every cent that your prunes are worth today, tomorrow, next week, next month and next year; if I can show you the way to develop not only the American but the foreign market to the limit; if I can show you the way to prevent the glutting of your markets; if I can show you the way whereby you can hold your surplus until the world's market is ready to take it at a living price; if I can show you the way whereby, despite the fact of your being a small, obscure, unknown grower, living in a nook or corner of the state, you can borrow up to 75 or 80 per cent of the market value of that product at the same rate of interest that a Rockefeller or a Pierpont Morgan can borrow his millions, will you follow me? Will you hold up my hands? Will you be guided and directed by me?

"Please remember that under the law I have absolutely no powers. I can compel you to do nothing; I can only advise with you. I can only suggest and recommend what I believe is best for you to do.

"If a month ago some one had come to me and said: 'I think it possible to take a small, unknown farmer living in the remotest nook and corner of this state, and secure for him from one of the largest banks in America, in a city three thousand miles away—the city of New York—a loan equal to 75 or 80 per cent of the market value of a few tons of prunes and get it at 3½ per cent interest,' I would have said: 'That man has just escaped from a lunatic asylum. He has pictured an absolutely impossible thing.' Yet, I say to you, that this very thing has become possible.

"I will assume the responsibility, if you will cooperate with me in achieving that seemingly impossible result. In order that it may be achieved, certain things must be done and they must be done by you, not by me. Those things are not difficult to do; they are not unreasonable for you to do. They lie wholly and solely within your power. This is what must be done:

"It is necessary for you to have an organization—not merely a rope of sand, but a cohesive, strong, effective organization. The only way you can hope to get that strong, effective organization is by putting your money into it. That will grip you and hold you there; that will command your interest and attention; that will keep you with watchful eye on the doings of the day. I am not asking the prune growers of the state of California to make an

experiment, because the experimental period is past. You have demonstrations; you have results to guide you. I will ask the prune growers of California to do exactly what the raisin growers of California have done. I ask the prune growers of California to do exactly what the orange growers have done, and precisely the same helpful results are sure to follow that have followed, especially in the case of the raisin growers. I was told today by a gentleman whose opinions I very highly respect, that the prune growers of California have not met with sufficient adversity as yet to be willing to do what the raisin growers did; that many of them are in such a position that they are independent; that they do not need financial aid; that they are in a way to finance themselves. If they are, and are California growers, they are rare birds; I haven't met them.

"I have sufficient confidence in the intelligence and ability of the prune grower of California to believe that, in the first place, he wants to do anything and everything that will be for his betterment, everything that will stand for his likelihood of having a better dividend in payment for the labor and effort and risk he has been obliged to assume in engaging in the fruit business. I feel satisfied that just as soon as the prune growers of California learn that it is in their interest to do the thing that their fellow raisin growers have done, they will gladly, willingly and cheerfully do them, and bring about the highest, instead of the poorest, results.

"Let me tell you what must be done. First of all you must organize. This industry, scattered through the state as it is, would make one large democratic organization impracticable. You must follow the example of the orange growers and have local organizations. They must federate into central organizations and these must federate into one prime, central body which will have control and power exactly as in the orange industry; then you must be prepared to subscribe at least \$250,000. Individually, that looks large, but when spread among your thousands of growers and over the vast acreage of the prune industry, it is a mere nothing. You must have that financial nucleus to entitle you to the credit you want to look for. After you have organized and have subscribed that fund of \$250,000, you must be prepared to standardize your product and to permit the state to have it inspected. The state, having inspected it, is willing to lend you its good name—a thing never before possible in the history of California. The state of California stands ready, through its Market Director, after having inspected your product, to put upon it the state label, practically saying to the world of buyers and consumers: 'We, the people of California, having inspected this product, hereby certify it is all it is claimed to be; you can buy and consume it with perfect safety.'

"Having done that, the next step is to warehouse your product so that you will not be forced to sell a year's crop within a few weeks, thus glutting the market and killing prices. After warehousing your output, I will agree to take your warehouse receipt, verify it in the name of the state, and on that warehouse receipt I will undertake to go into the money market of New York and

borrow perhaps 75 or 80 per cent of its face value at the lowest interest. This year it may be $3\frac{1}{2}$ per cent; next year it may be four; it may be five. Whatever it is, you shall have it.

"I propose to dispose of your product in the way that will bring you spot cash at the lowest selling cost—by the auction system. I take it that it will be just as great a revelation to you as to me to learn that the Alexander Smith Carpet Company, one of the largest and foremost producers of carpets and rugs in this country, disposes of its product by public auction. A sale was held in the city of New York only a month or two ago of the output of the carpet mills of the Smith Company, aggregating \$3,000,000. It was sold within two or three days at exceedingly satisfactory prices to the producer on a spot cash basis. Buyers were brought to that sale from every nook and corner of the United States and from foreign countries, and the producer got every cent that his product was worth and got it quickly and took no risks.

"My plan for the marketing of your product in the large American centers would be by public auction. This may seem as ridiculous to you as to my old friend Abram Block in Santa Clara, when, twenty years ago, I advocated the selling of deciduous fruits in the East at auction. My old friend Block got up in that convention and, with tears in his voice, said: 'I have known Mr. Weinstock for years and he and I are excellent friends. I have great respect for his opinion, but we have come to the parting of the ways. I have received my share of red-letter returns, but, thank God, the time is not here yet when the sheriff's red flag shall wave over my fruit!' Yet, by that very system, we have increased the market from 1,000 carloads a year to 17,000 carloads this past year—17 to one.

"My plans for the future marketing of your product are feasible; but if today you were to put your dried fruits in their present condition into the auction markets of the East they would be slaughtered, and justly so. The buyer would have no confidence in your product, no means of knowing whether it is the real thing or whether it is 'loaded and sanded.' He would have no means of knowing, no matter what price was paid today, whether the market would not be glutted tomorrow and the product offered at a still lower price. So, under the present conditions, the auction plan would result in a dismal failure.

"But imagine this condition: Imagine, say 75 per cent in your hands, carefully standardized, inspected and labeled by the state as a guarantee to the buyer. Imagine auction sales made in New York, Boston, Chicago and other large cities at regular intervals as often as the expert distributor thought wise. You would have every buyer in the territory adjacent to the auction bidding for your benefit for your product, and cash on the way to you within twenty-four hours. Can you see the wonderful revolution? Can you see the added value to every acre of land, to every tree you have planted?

"Let me tell you something else. While in New York, in discussing the California dried fruit question with the head of a foreign trade bureau, I said to the gentleman: 'I have a notion that the

South American markets are not buying their full share of California dried fruit products. Can you give me any information?' He said: 'Yes, I can give you the fullest. I am fresh from South America myself and our experts have gathered all the data and here it is.' He went to the files and we spread out the information and read it together, and it was a revelation to me to find these facts:

"The United States has a 20 per cent preferential customs duty in Brazil, for example, as a result of a reciprocity treaty entered into under McKinley's administration. In other words, Brazil will admit our product at 20 per cent less duty than that of any other country in the world. That at once gives us 20 per cent advantage. Despite that fact and the fact that California is the greatest prune producer in the world, and despite the fact that Brazil, for example, imports millions of dollars worth of dried products, the amount exported by California to Brazil for the year 1914 represents just one per cent of that country's consumption. In other words, for every dollar that Brazil spends for prunes, the California prune growers get only one cent and Europe gets 99 cents—and that, notwithstanding the preferential duty in our favor.

"'What is the explanation?' I asked. 'I can explain it fully,' he said. 'I had occasion to talk with importers about the California product. Here are the conditions. In the first place, you have never exploited that country. You have never sent a sales force down there to develop the business. You have depended upon brokers who have no direct interest in your product. The second cause of your failure lies in the fact that, as one South American importer put it, "the stuff we have gotten from California was junk; they sent us the tail ends; we have lost confidence; we are afraid to touch it."'

"I said: 'That is pretty tough. But suppose I could come and say that we have prunes standardized and inspected by the state of California; that they bear the label of the state of California, showing that the State Market Director has inspected this product and assures the buyer and the consumer that it is all it claims to be—what then?'

"'If you do that,' he replied, 'and supplement it by sending a sales organization into South America to come into contact with the proper people, the market would be yours, because you have the preferential duty in your favor, which in itself is sufficient margin to win for you that market.'

"You see how impossible for you or for me as an individual to do that. I might know all these things, but as an individual grower I would be helpless; the information would be of little value. Collectively it not only becomes possible, but is absolutely an assurance; there is nothing to prevent it. The market is yours for the taking. Do you prune growers want it?

"The same gentleman said to me: 'I realize that if the producers of any one product were to send a sales organization to South America, it would be a heavy burden. Do you know of any good reason why, collectively, you could not send down a sales organization representing the different products of your state so that the

burden would be carried, not by prunes alone, but by prunes and raisins and oranges and apricots, etc.? Do all this,' he said, 'and you will have rendered your state a valuable service, and South America as well, for they want your products but they want them at a reasonable price and in a proper condition.'

"This is the position and it is for you to make the most of it. If in the past you have suffered from glutted markets, you were entitled to the sympathies of all your well-wishers; but, if from this season on you continue thus to be the victim of gluts and low prices, you will deserve no sympathy.

"This is my message, my friends. All that I can do is to show you the way and help you to get there. I can not carry you there, for my back is not broad enough. If you want not only the fullest marketing information but the largest price for your product—every penny it is worth; if you want to place yourself in position to get the highest loan on your warehoused product pending its sale, at the world's lowest interest, it will be at your call if, besides organizing, you subscribe \$250,000 as a financial backing for the organization and have your products standardized, inspected and labeled by the state; then all the advantages to make prosperity for you, that I have pictured will follow, just as surely as day follows night."

The suggestions made by me met with the most hearty approval and a state central committee was formed, the State Market Director being requested (on January 20th) to name a representative to serve thereon. Dr. James B. Bullitt, of San Jose, was thereupon selected to represent my office. On January 22d Chairman Bone expressed his approval of the new plan in the following words:

"Personally I am most emphatically in favor of your plan; it must necessarily be the final solution of the problem.

"Immediate action of some kind is imperative, as packers are trying to buy fruit now and we think the Information Bureau is a step toward the goal.

"This may not appeal to you quite as forcibly as it does to us. We are not quite convinced that our growers would dip into their pockets quite as readily as Wednesday's demonstration would suggest—that is, in numbers sufficient to control the crop. Be this as it may, however, I think you will agree with me that it was almost an impossibility to embody your offer in our plans at the meeting as we were totally unprepared to make use of the enthusiasm of the moment. Rest assured we will come towards you at the earliest possible time."

To this letter of Mr. Bone's, I replied with the following suggestions:

"My advice to you is that you call a meeting at the earliest hour that may be mutually convenient to the committee appointed at the mass meeting, and that that committee in the most vigorous manner possible start out on exactly the lines followed by the peach growers, with a view of organizing the prune growers of California

at the earliest day and organizing them on the basis of a capital stock of at least \$250,000, which should be the first objective, and later on up to a million, if necessary. This accomplished, the rest will be comparatively easy; and I am willing to stake my official reputation on the outcome if you and your fellow growers will lay the necessary foundations for such possibility as I have pointed out."

On February 17, 1916, I submitted to the committee the following recommendations, to be presented to a mass meeting of growers to be held in San Jose on March 1st:

"(1) It is recommended that the mass meeting elect three men whose duty it shall be to appoint a promotion committee consisting of one man from each school district of Santa Clara County, and a reasonable number of representatives of the various other prune growing districts of the state.

"(2) That such promotion committee shall immediately begin an educational and organizing campaign similar to the campaign that is being conducted by the raisin growers and by the peach growers.

"(3) Said promotion committee shall have as its objective the organizing of a state association with a paid-up capital stock of not less than \$250,000 and not more than \$1,000,000. The members of such an association shall agree to enter into a contract with the association for the association to market their crops for at least three years, with an option on the part of the association for two additional years' crop.

"(4) The association on the other hand shall agree to pay its members such minimum price per pound for their crop as may be hereafter determined, less a certain percentage hereafter to be determined to cover the cost of operations.

"(5) The association shall further agree on delivery of the crop to pay such proportion of the agreed minimum price as may hereafter be determined upon, the balance to be payable by interest-bearing notes due within six months.

"(6) Failure to deliver on the part of the grower shall be covered by a definitely fixed penalty, say, two cents per pound, as liquidated damages to the association.

"(7) The agreement shall not go into effect unless, within a specified time hereafter to be determined, a certain percentage hereafter to be determined, of the total acreage of the prunes in the state is contracted for under similar terms.

"(8) The subscription to the capital stock of the association shall be at the rate say of \$20 an acre, one-fourth of said amount to be payable at the call of the association, the balance to be payable in three annual installments to be covered by the interest-bearing notes of the subscribers, and the payment for such notes shall be annually deducted from crop returns.

"(9) The association shall adopt standards to be approved by the State Market Director and shall invite state inspection of ^{the} products and the use of the state label.

"(10) The association in due course shall avail itself of the offer of the State Market Director to secure for it, on its warehoused products that will be held awaiting a favorable market and which have been inspected and state labeled, loans in the money markets at the lowest rate of interest.

"(11) The question as to whether it will be in the interest of the producers to continue selling the prune crop at private sale in the markets of the East, or at public auction in the large Eastern centers, shall be left to the discretion of the association management.

"(12) When the required number of acres shall have been signed up, the signers shall choose 25 trustees from among their body, and these 25 trustees shall elect 7 directors who shall manage the affairs of the association.

"(13) If, in the judgment of the 25 trustees, it shall be deemed wise as a protection to the absent stockholders to have the state represented on the board of directors, then, in that event, the trustees shall call upon the State Market Director to nominate one of the 7 directors, who shall be acceptable to the trustees. Said nominee shall be approved by the Governor of the state and elected by the trustees.

"(14) Said state representative on the board of directors shall hold relatively the same position toward the prune growers' association as does the State Bank Examiner for the state banks. It shall be the duty of such state representative to file with the State Market Director copies of the minutes of the board of directors; and it shall be the further duty of the state representative to apprise the State Market Director of any possible weak spots in the management of the association which may come under his notice. It shall then become the duty of the State Market Director to inquire into the management and, if need be, to conduct a hearing and to publish for the information of the stockholders the result of his inquiries in order that they may be fully advised as to the manner in which the affairs of their association are being conducted by its board of directors."

Meanwhile, Secretary Forbes had secured the cooperation of the Growers' Bureau in an effort to compile a large list of prune and apricot growers—about 4,000 in all. To each of these was mailed, during February, a copy of my San Jose address, a letter outlining the proposed plan of organization, and a questionnaire for reply. The replies to this questionnaire were preponderantly in favor of the proposed organization and the campaign was vigorously pushed by Chairman Bone and Secretary George E. Merrill. Their work was hindered to a certain extent by an unfounded rumor that the Growers' Information Bureau was not carrying out the marketing plan which I had suggested and Mr. Bone wrote me on February 24th as follows:

"If you can have a statement published in the *San Jose Mercury*, either direct or through us, to the effect that the marketing organization has not been sidetracked, that this bureau is not only doing

good work in its specific way, but is cooperating with your office in complete harmony, it will do much to allay suspicion and remove doubts as to yourself and to our committee's obligation to carry out the instructions of the mass meeting of January 19th.

"It would be superfluous to restate my personal views as regards the necessity for a marketing organization controlled by the growers, but I will say that unless our bureau led to such an organization, our information bureau alone could not permanently hold my active interest."

This suggestion that the State Market Director's endorsement be publicly given was acted upon by a letter to the press and at many public meetings addressed by me in every prune and apricot section of the state. In addition, numerous private conferences with prominent growers and bankers have been held in my office and no stone has been left unturned in the effort to assist the growers to successfully organize. The securing of subscriptions progressed rapidly in the face of some opposition and the movement was finally strengthened by reorganizing and enlarging the organization committee. The work inaugurated by Mr. Bone and Mr. Merrill was further advanced by the selection of Mr. Hugh S. Hersman as campaign manager, with a large staff of solicitors in the field.

The organization committee has until March 1, 1917, to secure subscriptions amounting to \$600,000, but they have already (December 1, 1916) reported that \$350,000 has been signed. Doubt has changed to assurance and there is now every reason to believe that the valuable prune industry of California is preparing to enter upon a new era. If that consummation can be brought about, the State Market Director will feel that in this one result alone his first year of effort has been well rewarded.

CALIFORNIA ASSOCIATED OLIVE GROWERS, INC.

The olive industry of California is practically a California monopoly, since no other state in the Union can produce olives. Besides, it is a product that is nutritious, palatable, and that can be placed in the hands of the consumer at a reasonable price. Despite all this, it has been, as a rule in more recent years, an unprofitable crop to the grower.

Shortly after my appointment as State Market Director, as a means of securing first-hand information, a questionnaire was sent out by my office, and all sorts of hard-luck stories came from every olive-growing section of the state. Some growers complained that they had turned their crops over to the commercial packers and two years had intervened without getting any returns. Some wrote that they had become discouraged and had allowed their olive crop to rot on the trees. Others

said that they had fed their olives to the hogs, and some wrote that they contemplated ripping up their olive trees and planting other crops. It also developed that great quantities of unsold olive oil remained in the hands of growers and packers, and that it seemed to be a drug on the market. A further inquiry developed the fact that, for several seasons past, efforts had been made to organize the olive growers for marketing purposes, but for various reasons such efforts had met with uniform failure.

It was at this point that the State Market Director was invited to meet and to confer with a group of prominent olive growers who were almost in despair concerning the future of the California olive industry, and who were doubtful regarding the possibility of getting the growers to take concerted action.

After analyzing the situation, the State Market Director pointed out new possibilities which seemed to fill many of those present with new hope and new courage, and a committee was appointed to cooperate with the State Commission Market in making a renewed effort along the lines of bringing into life a great, state-wide organization that would be in a position to build or to take over enough existing pickling plants to process and probably to market the future olive crops of the state. One of the weak spots in past attempts at organization had been the failure to capitalize them, thus making it impossible for such associations to process the product or to make advances to growers on the delivery of their raw product pending its sale.

To avoid repeating this mistake, plans were made for organizing a marketing association based on a capital stock subscription on the part of the growers of \$30 an acre for groves in full bearing and a proportionately lesser amount for groves yet to come into bearing. Public meetings were held in all the olive-growing districts and were addressed by the State Market Director and others. It was shown to the growers that the salvation of the industry largely depended upon organized effort. Thousands of pieces of printed matter and letters appealing to growers to join the association were sent out by the State Market Director. These efforts produced sufficient encouragement in the way of subscriptions to justify the promotion committee in incorporating under the state laws. Mr. J. C. Martin, Jr., was elected president; Mr. R. L. Underhill, secretary; and the following directors were chosen: L. Crichton, Corning; J. C. Martin, Jr., San Francisco; R. L. Underhill, San Francisco; L. M. Higgins, Carpinteria; R. Roberts, Madera; E. J. Harper, Los Angeles; W. H. McMillan, Fallbrook; James Mills, Hamilton City. Mr. E. J. Harper has been named by the State Market Director, and approved by Governor Johnson, to sit on the Board as the state representative to safeguard the interests of absent stockholders.

At this early stage in the history of the association, it is constructing a processing plant in Fallbrook, San Diego County. It has contracted for the use of the Porterville plant for the handling of this season's crop of the members tributary to that point, and negotiations are now going on for the control of yet other plants in other parts of the state.

An advance sale of this season's entire output of the association has been effected at full market prices, and there is now every likelihood that, for the first time in the history of the California olive industry, a growers' marketing movement will be successfully accomplished.

At a conference of leading olive growers, scientists and packers, especially called on July 10, 1916, by the State Market Director, a standard for pickling olives was voluntarily agreed upon, with the view of having such standard legalized at the coming session of the legislature, thus taking an important step in the direction of offering to the trade only olives fit to eat, and thus in due course regaining for California olives the good opinion of Eastern buyers, which had largely been lost because of the great quantities of unfit olives which had in the past been foisted on unsuspecting buyers.

The standard agreed upon (and which, it was contemplated, would be revised after a fair trial) is as follows:

RESOLVED, That in the event of a state label being furnished in connection with the marketing of California ripe olives, it is the consensus of opinion of this conference that it shall be available only under the following conditions:

(1) That the designation "ripe olive" in the case of Mission and Manzanillo varieties shall be given only to those olives made from fruit which has been harvested when it has reached that stage of ripeness where at least part of its surface has turned red or a darker color;

(2) That in addition to the foregoing color test for Mission and Manzanillo varieties, for the season beginning October 15, 1916, and ending March 15, 1917, the olive when ready for shipment shall contain not less than fifteen per cent (15%) of oil in the flesh;

(3) That for pickling purposes there shall be no more than one hundred twenty (120) olives to the pound;

(4) That the olive when ready for shipment in the judgment of the State Inspector shall be palatable, in a sanitary condition, consistent with the variety thereof, and be of good texture;

(5) That it is the consensus of opinion of this conference that the darkening of ripe olives by moderate aeration during the process is necessary, useful and harmless.

Among the plans in view to develop the industry is a system of national advertising of a standardized, state-inspected product, bearing the state label. It is believed that such a policy will increase the demand for California olives as effectively as the demand has been increased by a like method for California raisins and citrus fruits.

For the first time in the history of the California olive industry, the way seems clear for the olive growers to come into their own. By increased and continued efforts on the part of the producers, the olive

growers will speedily be placed in a position where they can have the fullest voice in determining the value of their product and where, collectively, they can develop the great potential market of the country which stands ready to buy at a remunerative price to the grower all fit olives that can be grown in the state.

DELTA POTATO GROWERS.

In December of last year, the attention of the State Market Director was invited to what was represented as the deplorable status of the potato industry of California, particularly in the famous Delta region of the San Joaquin and Sacramento rivers. Steps were immediately taken to investigate conditions, and a series of conferences was held with landowners and managers of the large estates in the Delta potato section. As a result of these conferences it was finally decided to organize the strongest possible association of Delta potato growers, to be controlled by an administrative committee of five, with the intention of marketing their product through the State Commission Market, either by public auction or otherwise. As a beginning, an agreement to so organize was signed on October 13, 1916, by Lee A. Phillips, president of the California Delta Farms, and by Carson C. Cook, general manager of the Rindge Land and Navigation Company—the two estates representing approximately 35,000 acres. In order to bring the matter to the attention of the entire district, a general conference of all Delta landowners, managers and tenants was called at the Palace Hotel on May 9th, and it was responded to by approximately one hundred delegates. This conference was practically unanimous in favor of organizing the Delta growers for marketing purposes, although there was some difference of opinion regarding the feasibility of selling California potatoes by auction. The meeting was addressed by E. L. Goodsell, of the Fruit Auction Company, of New York; and he very strongly urged that this method of sale should be adopted, but that it should not be introduced until adequate facilities for handling a large output could be ensured.

In the meantime, my attention had been called by Mr. H. G. Zimmerman, a prominent potato grower and dealer, who set forth the fact that the growers of the Delta region were urgently in need of assistance in eradicating certain pests, and that the State Market Director and the proposed Delta association should devote their attention first to remedying the cultural conditions. The following extracts from his letter explain the situation with sufficient clearness:

“There possibly is no argument to the fact that certain minor changes can be made that will improve marketing conditions; but

the real reason that dissatisfaction exists not only with the small farmer but with the large farmer and landlord as well, is due to the fact that they are not getting out of the ground the product that they should, even though they expend the utmost energy and have adopted the most scientific methods at hand.

"The real reason why they are facing continual loss and diminution of yield is due to the presence of two diseases. Probably the most important and dangerous one of these two diseases is *Fusarium*, and the other is *Rhizoctonia*. A very comprehensive study has been made on the subject of *Fusarium* by C. W. Carpenter, of the Department of Agriculture, Washington, D. C., and his research work is published in Vol. 5, No. 5, *Journal of Agricultural Research*. His paper shows that he has succeeded in isolating the fungus *Fusarium*, which is causing the majority of the trouble, but nothing has been done to overcome the development and presence of the disease. We can probably correctly attribute the big losses sustained in the Delta region, due to leaking potatoes when the weather is hot, and to dry rot when the weather is cold, directly to the ravages of *Fusarium*; and these two particular evils probably cause the growers in the Delta regions a loss of from \$200,000.00 to \$400,000.00 a year.

"*Rhizoctonia* is probably responsible for the lessening of the yields, due to the fact that the young plant is checked at the time the tubers are forming. If some means were effected to overcome the harm done by these two diseases in the Delta region it would be of inestimable value to all concerned. Whatever work is being done along this line now is not work that is applied particularly to the condition as it exists in the Delta country, and it is not being carried on in the aggressive way that it should be done when consideration is given the big amounts at stake.

"It is my idea that if you were to take steps to solve this problem, you would do a great deal to better the conditions in this region; in other words, you would be getting at the bottom of the trouble that is besetting the farmer, and thereby remove the greatest cause of their dissatisfaction. It would be my idea to raise a fund of say, from \$100,000.00 to \$200,000.00, the interest from this fund to be used in carrying on the necessary work, and this would be applied directly to the problems in the Delta district.

"Probably the best way to raise this money would be through your influence with the national government to secure an appropriation of one-third the amount, the state government to contribute another third, and the landowners of the district the other third. This fund could be devoted to the purpose of carrying on a comprehensive and scientific experiment, which would lead to overcoming the two diseases which are rapidly running the farmer into bankruptcy at the present time; and when this once is accomplished the money could be used to better the thousand and one unscientific methods that are now in vogue."

Mr. Zuckerman's letter was brought to the attention of leading potato experts, and the majority of them agreed that Mr. Zuckerman's position

was well taken. Among other comments, the following will be of interest:

George Shima, Delta potato grower, Berkeley: "The vital question on hand now is that some steps must be taken to prevent diseases which have affected the product of the Delta lands; the yield is steadily and surely decreasing, which means a dead loss to the community.

"As to the suggestion that has been brought before you by Mr. Zuckerman, that a fund be created, to be contributed by the federal authorities, the state authorities and the landowners, to be used in research work with a view of discovering remedies for the existing evils, I beg to say that it would be a wise idea to raise such fund. But this can not be accomplished without your assistance."

Lee A. Phillips, California Delta Farms, Stockton: "The suggestion of an experimental station is good; and as they have to be supported, I suppose the landowners should bear their proportion, though I am inclined to think that the government would cover the matter if the landowners would supply the necessary lands for the experiment and at the same time handle their own lands under the direction of some one who knows what should be done. I think it is probably more a question of applying the remedies already known than to try to discover new remedies."

George P. Weldon, Deputy Horticultural Commissioner, Sacramento: "It has been known for some time that the yield of potatoes was steadily decreasing; and the cause, as Mr. Zuckerman states in his letter, is due very largely to the two fungous diseases—Rhizoctonia and Fusarium wilt. Once the soil becomes thoroughly inoculated with the fungi producing these two diseases, potatoes can not be safely grown until other, non-susceptible crops have been produced for a number of years.

"It seems to me that since the cause and remedy of the serious diseases of the potato are known, what should be done now is work of an educational and demonstrational character.

"If several demonstrational farms could be established and placed under the supervision of scientifically trained men, who also had a true sense of the practical, much good could be done towards educating the people in the matter of growing clean potatoes. These farms could also be used for testing out different varieties, and much other work which would be of value to the growers as a whole."

W. A. Orten, Pathologist, United States Department of Agriculture, Washington, D. C.: "We have been cognizant of the situation in that section for several years, during which time the troubles have become progressively serious, so that there is no doubt that Mr. Zuckerman is correct in his opinion that potato diseases are a limiting factor in the production of that crop.

"Our investigations have been limited, by lack of funds, largely to studies made during visits and in the Washington laboratories.

"To properly test out and demonstrate control measures for these diseases, however, a field station and laboratory is a necessity, and it will apparently be necessary to defer further work

until some local support is available. Several attempts have been made to establish such a station, and while some individuals rendered most praiseworthy cooperation, the local support has not been adequate. A series of field tests has been in progress for several seasons at Middle River, but has finally been discontinued for lack of support.

"It is our judgment, however, that the first step to be taken should be the establishment of an adequately supported field station for the study of diseases of potatoes and other important truck crops of the area. Such a station should have an income of at least \$10,000 per year, and a reasonable assurance of support should be from local sources; and if this were once secured there is little doubt that state and government aid could be had."

Further conferences with the leading growers were thereupon called by me, and I also placed myself in communication with the Department of Agriculture at Washington. It was finally agreed that the first step should be an effort to organize the growers for the purpose of establishing, in conjunction with the federal authorities, an experimental farm, for the purpose of eradicating potato diseases by means of an exposition farm and a general campaign of education, to be carried on among landowners and tenants. This organization was to be financed by voluntary subscription, the subscriptions not to exceed 10 cents per acre. Believing that the establishment of this experimental farm would, through cooperation with the federal authorities, prove of lasting benefit to the potato industry, a letter was sent by me, on May 1st, to the Secretary of Agriculture at Washington, inquiring whether the state could count upon the assistance of the federal government. Secretary Houston replied as follows, under date of May 24th:

"While considerable progress has been made in the direction of solving these problems, the local support has not been adequate to the need, and it has, therefore, been necessary to suspend systematic investigational work upon them. It does not appear that much progress can be made until there are provided suitable land and other facilities adequate for the prosecution of long-time experiments, either by state or federal experimenters or both working in cooperation.

"This department is, of course, not in position to contribute to any endowment fund such as is suggested by Mr. Zuckerman, nor is it likely that Congress would appropriate upon that basis; but if the state and the industry, or either, provide adequate facilities under conditions suitable for effective work, this department would gladly consider cooperative participation in the attack upon the problems, which are recognized as of large economic importance in the district."

A campaign of interesting the landowners, managers and tenants in the proposed experimental station continued to make favorable progress,

and eventually the cooperation of the United States Department of Agriculture was assured. On July 29th, the acting chief of the Bureau of Plant Industry wrote me as follows:

"DEAR SIR: In your letter of May 1 you brought to our attention a plan you were developing to bring about the establishment in the San Joaquin Delta of an experimental station for the investigation of potato culture and diseases and other problems of the reclaimed lands of this area.

"We are now gratified to learn, through a conversation with Mr. Carson C. Cook, who was in Washington yesterday, that you have made favorable progress toward securing local support for such a station, since in our judgment it is a vital necessity that the growers or landowners of the interested communities should organize and contribute to this end before state or federal aid is requested.

"We now desire to bring to your attention that the annual estimates of the Bureau of Plant Industry covering the work of the fiscal year beginning July 1, 1917, are in preparation, and that if you contemplate a request for our cooperation it should be made, if possible, before August 15.

"Inasmuch as we are quite familiar with the conditions and character of the problems in the Delta area, no further preliminary inquiry on our part will be needed; and upon receipt of your assurance that the community will provide necessary land, buildings, tools, and other farm equipment, with ordinary labor for a period of five or more years, we shall be pleased to include in our estimates provisions for the scientific phases of the work of the station."

Since the time limit for complying with the suggestions of the Department of Agriculture was less than two weeks distant, the proposition was hurriedly brought to the attention of the landowners whose cooperation was deemed essential to its success. A number of these were ready as individuals to guarantee their support, but it was not possible within the specified time to secure the necessary guarantees. The project was, therefore, temporarily abandoned, upon receipt of the following letter from Mr. G. A. Atherton, general manager of the California Delta Farms, Stockton:

"I have yours of the 4th enclosing copy of communication from the United States Department of Agriculture regarding the establishment of an experimental station in the San Joaquin Delta, a reply to which must be made before August 15th.

"As there seems to be quite a difference of opinion regarding the lines along which this work should be done, and as it appears impossible to get the interests together for a discussion of the matter in the near future, it appears to me that if the request has to be made before the 15th of August, nothing could be done regarding the matter for this year."

As a concluding word on this subject, it is sufficient to say that the State Market Director has continued to make investigations into the potato industry from time to time, and that he has had prepared the manuscript of a special bulletin on "Potatoes in California," which will probably be published at a future date. So far as the activities of my office in the direction of assistance to the potato growers are concerned, the following extract from a letter written by Mr. W. V. Shear, who has for a number of years been representing the United States Department of Agriculture in the Delta region, and who is one of the best-informed men on that subject, will be of interest:

"I have, naturally, heard and read considerable about what our new Market Commissioner was doing; that he was in the East and North and South, investigating markets for "Sunkist" fruits of various kinds and "Sunmaid" raisins, and whatever other products the California sun may be painting; all of which, of course, was eminently proper so long as there was no "moonshine" connected with it. I have watched this with much interest, and had thought that after four or five years, perhaps, after all these popular industries had received their due amount of attention, there would come a time when I might present the claims of the humble "earthkist" spud for some recognition. After three years of work in the state in behalf of this industry, that is the impression I have gained as to the assistance I might look for. Therefore, when I recently learned that you were giving some attention to the marketing of potatoes, and recognized the spud as a legitimate article of commerce, I became much interested in your activities; and you can imagine something of my surprise when I learned upon calling at your office that you were not only considering the market problems of potatoes, but that you had found that behind the marketing there are a dozen other problems which are fundamental to the success of the industry, and were investigating these likewise. And then, a day later, I received a copy of your bulletin on "The Potato in California," and my satisfaction is almost complete, because I believe that with such a start a great improvement over the present condition of the industry is assured. I beg your pardon for underestimating your breadth of view.

"These problems are too numerous and complex to be discussed within the limits of correspondence. I may say, however, that the landlords hold the vantage point of power and influence, and can do more to inaugurate reforms and carry them out than anyone else to whom we can look for immediate and direct assistance. I trust it is needless to say that I shall be pleased to cooperate with you in every way possible."

THE NORTHERN CALIFORNIA FISH EXCHANGE.

It has long been a matter of general belief that the fish industry of *San Francisco* (and of the other ports of California as well) is sad

in need of regulation; the public has been taught to believe that the business is in the grip of a so-called "Fish Trust" whose control is so nearly absolute that no reform of existing evils can be achieved by ordinary methods. In fact, the popular view that the fish industry was being conducted to the detriment of the consuming public was presented to the last legislature in a manner seemingly so convincing that corrective legislation seemed to be the only way out. Final action was deferred by the Governor, after a bill intended to rectify present abuses had passed the legislature, in the hope that the newly created State Commission Market might, in cooperation with the State Fish and Game Commission, bring about the inevitable reform.

Shortly after my appointment as State Market Director, complaints from the consumers of fish began to reach my office. It was charged that hundreds of tons of good fish were being dumped or sold to glue factories and fertilizer works at the nominal price of about \$5.00 a ton—and yet that the consumers were not infrequently called upon to pay excessive prices for fish.

Investigations made by this office and conferences with the State Fish and Game Commission established beyond question the truth of the charges made by these correspondents. I thereupon called a conference of all the factors engaged in the fish business and laid the charges before them.

The dealers admitted an enormous wastage of certain varieties of fish which might be retailed at from five to ten cents a pound with profit to all concerned, but claimed that the consumer did not know their merits and hence they had to be thrown away, at a loss to all concerned. They said that the public is accustomed to buy high-priced fish (such as halibut, salmon, smelt, striped bass and tenderloin of sole), unaware that equally good varieties could be had for much less. They also called attention to the fact that some of the high-priced fish (such as halibut) can not reach the market from northern waters in less than fifteen days, whereas unlimited quantities of excellent local fish are offered on the market within twenty-four hours of being taken.

Answering the charge of alleged excessive prices, the retailers pointed out that the fish business on this coast is practically a one-day-in-the-week business, and that enough profit must be made on Friday's sales to cover most of the week's expenses. If they could sell fish every day in the week, they said, virtually no additional expense would be incurred and they could well afford to sell at much lower prices.

As a result of this and other conferences, it was evident that the remedy for these conditions lay along these lines: (1) The public should be educated to eat the good local fish which could be sold at low prices—which would end the evil of dumping. (2) The public should

be educated to eat fish several days in the week instead of only on Friday—and this would result in lower retail prices because the selling costs would be distributed over a much larger volume of sales. (3) The consumers should be protected against excessive charges by some method of publishing as often as possible a scale of maximum retail prices for all varieties of fish. In order to bring about these results, a campaign of education and publicity would of course be necessary.

With that end in view, a written agreement was entered into with the wholesale fish dealers to form a Fish Exchange, on which would be represented all the factors engaged in the fish business. Among other things, this Exchange would create the required educational and publicity fund. It was agreed that this fund was to be raised by an assessment of 5 per cent of the fish sales, to be paid in by the wholesalers and used for advertising and incidental expenses.

The Fish Exchange was thereupon formed and immediately began to carry out the program agreed upon. At the end of the first month's operations, it was found that the work had been done at a cost of only about $2\frac{1}{2}$ per cent on the *wholesale* sales, instead of the anticipated cost of 5 per cent on the *retail* sales, and a revised plan has been worked out whereby the future cost would approximate about only 1 per cent of the wholesale sales. The following specimen advertisement is inserted as an illustration of the manner in which the Fish Exchange proposed to operate:

The State of California, Through Its Market Director, Makes the First Announcement of Its Plan to Market

FISH

First in History

- For the first time in the history of business so far as we know a commodity is to be marketed by a method in which the consumer the retailer the wholesaler and the producer all have a say
- The interests of each are protected through control by the State Commission Market acting under the law of the State
- The consumer will be protected in the price of fish by the daily publication of the maximum retail prices
- By this plan it is hoped to so increase the use of fish that the cost of living will be less while the greater amount of business thus given the fishermen and dealers will pay them for lower prices
- By using simpler methods waste will be cut out
- The benefit to the consumer in the effort being made is that of getting fresh fish daily at lower costs
- The sales of fresh fish in this vicinity alone amount at retail to about three million dollars a year—

Saving Ten Per Cent

- The first lowering of prices saves to the consumers ten per cent on the price of the fish and this saving will amount to three hundred thousand dollars a year
- That's almost a thousand dollars a day and that would pay interest on seven and a half million dollars
- If every family realized

that it could get fresh fish every day in the week and that it could get fresh fish at very low prices the eating of fish would double the saving would double and the benefits would be greater because fish is good to eat it is easily digested it is healthful and saves money

All Are Interested

- Representatives of the interests mentioned above will meet every business day
- They will have the fullest information as to the available supply and will decide what shall be the maximum retail price which the consumer should pay
- Note there are two representatives of the State on this Committee whose duty it is to look after the interest of the public and see that fish is sold as cheaply as fair returns to the fishermen and the dealers will warrant
- To get the public to eat fresh fish every day at low prices is the object of this association
- Here's how it is proposed to get those results
- The fishermen—those who go out in boats on the ocean, bay and rivers to catch the fish and bring them in to Fishermen's Wharf
- The wholesalers—those who bring the fish to the city and prepare it for the market and
- The retailers who buy from the wholesalers and sell to you and

The State of California—through its
Market Director and the
State Fish and Game Commission
Have formed this organization
representing the producer
the dealers
and
the people
for mutual benefit

People Benefit

By this means of advertising
there will be created a demand
for FISH
so much greater than ever before
that the fishermen will have
steady work at fair pay
—the wholesalers will have a much
larger business and they will
make as much money as before
but at less profit for each pound
—the retailers will be selling fish
six days in the week
in larger quantities
at smaller profits and
the people will get the benefit

Prices Daily

Part of the plan is to publish
on every business day
the price to the consumer
for the fish that is in the
market that day
It starts out with a reduction
of ten per cent from old prices
Fish should retail today at
not to exceed these prices:

| | | | |
|---------------------|-----------|------------------|-----------|
| Sole | 8 Cents | Smelt | 16½ Cents |
| Tenderloin of | | Tomcod | 12½ Cents |
| Sole | 17½ Cents | White Balt. | 12½ Cents |
| Sandabs | 11 Cents | Kingfish | 9 Cents |
| Rock Cod | 14 Cents | Carp | 6 Cents |
| Black Cod | 8 Cents | Shad | 8 Cents |
| Large Cod | 11 Cents | Salmon | 16½ Cents |
| Tuna | 11 Cents | Sea Bass | 18 Cents |
| Squid | 10 Cents | Baracuda | 17½ Cents |
| Bocaccio | 6 Cents | Sturgeon | 16 Cents |
| Codfish | 14 Cents | Halibut | 20 Cents |
| Striped Bass | 20 Cents | Mackerel | 12½ Cents |

This organization is backed by the
State of California which
sees to it that you get

fresh fish at reasonable prices
when you buy from the dealers
who display the
membership sign
Fish is caught every day—
you can have fresh fish
every day
Our local fish is brought in every
evening—it is on sale
the next morning

Lower Cost of Living

Reduce the cost of living
add to the variety of
the foods on your table
and to their digestibility
Your physician will tell you
that fish is the food for feeble
stomachs and that
fresh fish digests first of all

We have 52 kinds of fish
they are all good—
some of the best you never
heard of—
we are going to tell you
about them from time to time
There will be a lot of interest
taken in cooking fresh fish
Domestic science teachers will
bring out ideas in fine fish dishes
and thousands of families will
for the first time know the
delights of new flavors
gotten from the daily supply
of fresh fish

We will welcome recipes sent in
by our readers
When approved they will be published
in these advertisements
with or without the author's name
as preferred
Simple plain recipes are best
—such as any housekeeper
in California can follow
—rather than the more complicated
recipes used by chefs in big hotels
or our famous restaurants

Order Fish Today

Retail Fish Dealers Who Have Become Members of the Association.

- J. M. BROCATO
2016 Fillmore St.—West 1019
2:26 Fillmore St.—West 973
- S. CATANIA
Jefferson and Taylor Sts.—Prospect 2208
- SPARTACO CARAVACCI
1312 Fillmore St.
- LEON ARCHAMBAULT
1440 Fillmore St.
- S. DIBELLA
2196 Fillmore St.—West 145
- F. DIGREGORIO
2180 Union St.
- EMPORIUM FISH DEPARTMENT
Market, near Fourth—Douglas 1
- TOM FAVALORO
4420 California St.
- GILT EDGE MARKET
Quartararo & Ferrari, Props.
3274 Sacramento St.—West 2724
- W. H. LAMB
1730 Fillmore St.—West 5496
- J. E. LAMB
1076 McAllister St.—Park 938
- F. MANNING
863 Cole St.
- PENINSULA MEAT MARKET
San Mateo—San Mateo 921
- PRIDE OF THE VALLEY MARKET
C. Nystrom, Prop.
502 Hayes St.—Park 1189
- RAVANO BROS. (Lincoln Fish Market)
877 Market St.—Sutter 2378
- RIALTO FISH MARKET
3375 Sacramento St.—West 9240
- RICHMOND CENTRAL MARKET
A. Asaro, Prop.
1208 Geary St.—Pacific 6584
- W. F. ROBERTS
2349 California St.—West 891
- SOLAEY & CO.
1442 Polk St.—Franklin 2553
- L. SOPRANO
231 Clement St.
- SPRECKELS MARKET FISH CO.
S. Canpagno and A. Asaro, Props.
751 Market St.—Kearny 2514
- G. TOPANELLI & SON, Home Market
Polk and Sutter Sts.—Franklin 670

Wholesale Fish Dealers**San Francisco**

- BORZONE FISH COMPANY
504 Merchant St.—Sutter 1913
- INTERNATIONAL FISH COMPANY
517 Merchant St.—Kearny 4724
- MERCHANT FISH COMPANY
526 Merchant St.—Sutter 1089
- A. PALADINI
540 Clay St.—Kearny 944
- WESTERN CALIFORNIA FISH COMPANY
556 Clay St.—Kearny 4360

Oakland

- INDEPENDENT FISH COMPANY
526 Washington St.—Lakeside 1208
- OAKLAND-RICHMOND FISH COMPANY
of Oakland—Lakeside 1846

Personnel of Committee:

- A. TRAPINI, representing wholesalers
J. M. BROCATO, representing retailers
LEON E. PRESCOTT, representing fishermen
N. B. SCOFIELD, representing State Fish and Game Commission
HARRIS WEINSTOCK, State Market Director

W. F. BAILEY, secretary of the Exchange,
605 Underwood Building. Telephone
Sutter 6577

NORTHERN CALIFORNIA FISH EXCHANGE

Conducted in Connection with the State
Commission Market of California

SAN FRANCISCO

For this trifling advertising cost, great quantities of good fish can be saved from being dumped into the bay and can be sold at retail prices within the reach of the humblest. Numerous retail fish dealers made the statement that, as the result of the first month's operations under this plan, they had the largest fish sales in the history of their business. Great quantities of the lesser known varieties of fish, for which hitherto there had been little or no market, found ready sales at popular prices, to the advantage of the public and of the fish trade in general.

This educational and publicity campaign received the hearty and enthusiastic support of a majority of the dealers engaged in the fish industry. They felt that the chief evils of the fish business were in a way to be eliminated, with benefit to everybody from fisherman to consumer, and were eager to go ahead.

But Mr. A. Paladini, one of the larger wholesale dealers who signed the agreement (as we believed, in good faith and for a fixed period of time), as it were, threw a monkey wrench into the machinery of proper fish distribution. In common with the rest of the trade he was a beneficiary of the plan, but he finally refused to pay his quota of the publicity expenses already incurred or to meet that part of his signed obligation for the rest of the period specified by him. He has from the beginning acted apparently in bad faith toward the Fish Exchange, and this final act on his part made a continuation of the plan impossible. The law gives the State Market Director no compulsory powers. In the absence of voluntary action on the part of the fish distributors, in cooperation with the state, the only relief for the public must come through legislative channels.

The experiences of these few weeks proved that by a campaign of education and publicity it is entirely possible to furnish consumers with certain varieties of wholesome fish at retail prices as low as 5 or 6 cents a pound, fish that otherwise would be thrown away.

Millions of pounds have in the past been dumped. The fish dealers say that this was because there were no buyers; others claim it was due to the action of a "Fish Trust" desirous of maintaining high prices. Be this as it may, the fact remains that there was an enormous waste of fish that should have been utilized. I had hoped that by voluntary action on the part of all in the fish trade, this waste would be prevented, in the interest of fisherman, distributor and consumer. But, under the voluntary plan, one man can come along (as in the case of Mr. Paladini) and make the undertaking impossible, thus perpetuating the great waste of fish, to the injury of all.

Fish, unlike any other commodity, is the property of all the people. The people, through their legislature, have therefore the right (and should have the power) to regulate and control, not only the catching but also the sale of fish. This I hope to bring about at the next session of the legislature by recommending the enactment of a law that will authorize the State Commission Market to issue licenses to fish distributors who are in good standing. In connection with the granting of such licenses, a fund shall be accumulated from such licenses, to be used for educational and publicity purposes to increase the eating of fish here on the coast, where it is below that of other coast cities, and also in the interior towns, where consumption of fish is almost negligible.

As a protection to consumers against being charged excessive prices for fish, the State Commission Market would be authorized under the proposed act to fix maximum prices to be charged for fish, these prices to be determined by the State Commission Market, by and with the counsel and advice of duly selected representatives of those engaged in the fish trade.

Under this plan, the state would be free from the risks and the investments involved in any plan whereby the state itself should engage in the catching and selling of fish, and yet the state would be in a position to minimize waste, to prevent a fish monopoly, and to protect consumers against excessive prices.

With a view to providing a permanent and workable plan whereby the existing evils of the California fish industry may be reduced to a minimum, I have now prepared a tentative draft of the proposed bill to be introduced at the next session of the legislature (see Appendix C). This, it is believed, will greatly increase the consumption of fish at reduced prices, while at the same time insuring fair profit to all engaged in the industry.

It may be of interest in this connection to quote the following letter expressing the sentiment of one of the wholesale fish dealers of San Francisco relative to the activities of the State Market Director:

Phone Kearny 4360

P. O. Box 2418

WESTERN CALIFORNIA FISH COMPANY.

556-566 Clay Street.

SAN FRANCISCO, December 12, 1916.

MR. F. B. CONNOLLY,

*Secretary California Retail Grocers
and Merchants Association.*

DEAR SIR:

My attention has been called to an article published in the Bulletin of December 4th, headed "Grocers' Secretary Answers Weinstock," in which you criticize the State Market Director for certain things, and among other things you say: "So far

you have not succeeded in a single instance, but have several failures recorded against you. Your Fish Exchange fiasco was one of them." I should like to know upon what grounds you call the Market Director's work in connection with the Fish Exchange a "fiasco"? As one of the wholesale fish dealers who took an active part in the conduct of the Fish Exchange established by the Market Director in San Francisco, I want to say to you that, as the result of my experience and from the records, I feel that the effort was in the nature of a pronounced success. The objective on the part of the State Market Director, in establishing the Fish Exchange, was to put into consumption fish that otherwise would go to waste for the want of buyers. It was a well-known fact that, prior to the creation of the State Fish Exchange, great quantities of desirable and palatable fish were wasted for the want of buyers, due to the fact that the great body of consumers had not been educated to eat these palatable varieties of fish, and due to the further fact that they had been educated to eat fish, as a rule, on Fridays only.

The State Market Director's plan provided for the creation of a publicity fund, to be contributed to by the wholesale dealers, this fund to be used for educational purposes. The records show that every wholesale dealer in San Francisco and vicinity entered into a contract with the State Market Director for their pro rata contribution to such fund; that a publicity campaign was entered into through the medium of the daily press, and immediately the response was such that, during the weeks in which the campaign was conducted, to the best of my knowledge and belief not one pound of fish was thrown away for the lack of buyers. On the contrary, never before in the history of San Francisco was there such a great demand for fish for a given period, as during the time when this publicity was going on; and the fish sold at lower prices to the consumer. Quantities of fish that during that period would have gone to waste were retailed as low as 5 cents a pound, with profit to all concerned, despite the fact that this advertising campaign was being conducted in midsummer, when the fish business is at its lowest ebb.

As a wholesale fish dealer, therefore, I want to thus publicly give my testimonial to the fact that the effort on the part of the State Market Director in establishing the Fish Exchange, was a pronounced success; and I greatly regret that the refusal on the part of one of the leading wholesalers in San Francisco to continue to comply with his agreement to contribute to the publicity fund made it necessary to suspend the system.

No sooner was the plan suspended, when the wholesalers were obliged again to destroy quantities of fish for the want of buyers, although these fish, I know, could have been disposed of at popular prices, with satisfaction to all concerned, had the publicity campaign been continued.

A further advantage to consumers under the plan of the Fish Exchange was the fixing of maximum retail prices as a protection to consumers, thus preventing overcharges.

The plan of depending upon voluntary support for this movement having been discontinued, I am glad to learn that the State Market Director, as a result of the success of the work of the Fish Exchange, is determined to present to the coming session of the legislature a bill providing for a system of licensing fish dealers, such license fees to be used for educational purposes, in order to create a broader demand for fish at popular prices, thus eliminating waste, in the interest of the fisherman, the dealer, and the consumer; and such proposed legislation meets with my hearty support and approval.

It may interest you to know that, at a previous time, three of the San Francisco wholesale fish dealers had endeavored to conduct a publicity campaign; but, owing to the fact that the funds at their command were at best limited, and owing to the further fact that whatever benefits might follow were shared by those who did not contribute to the advertising fund, the scheme had to be abandoned. But, under the Fish Exchange method established by the State Market Director, and under the proposed legislation, the undertaking will be supported on a much broader scale, and

will have behind it the endorsement of the state, through its Commission Market, thus making its publicity work much more effective and much more likely to produce the desired results.

Yours very truly,

(Signed) A. TRAPANI,
General Manager, Western California Fish Company.

CALIFORNIA HOP GROWERS' ASSOCIATION.

The hop industry of California, producing in the neighborhood of twenty million pounds a year, is of very great importance, especially in the northern part of the state. In recent times it has been menaced by the increasing difficulty of marketing the crop, owing to the decline of the brewing industry in many states and to the possibility that California itself might at any time become a "dry" state. On account of the marketing difficulties and the large investment necessary to grow hops successfully, many of the producers have been urgently in need of some better method of financing their operations. With this in view, the California Hop Growers' Association was incorporated on June 3, 1915, with Mr. George Hewlett of San Francisco as president, and Mr. F. P. Doyle of Santa Rosa as secretary-treasurer.

The officers of the association and other leading hop growers have been in frequent conference with the State Market Director during the year, and he has made repeated efforts to assist them in arriving at a satisfactory solution of their problems. Without entering into details, the following correspondence will serve to indicate the present status of the industry and of the efforts being made by my office to relieve the pressure of existing conditions:

SACRAMENTO CLEARING HOUSE,

Sacramento, California.

GENTLEMEN:

At a meeting of hop growers held in Sacramento, this day, I was appointed one of a committee to meet with the members of the Sacramento Clearing House to discuss the question of financing the hop growers. Owing to the fact, however, that official duties are calling me away to be absent from this part of the state for two weeks or more, I am writing this to present my views on the situation before your body.

The hop growers have at various times called my attention to the fact that the California hop industry is in a most unsatisfactory condition from the marketing point of view and they have invited my counsel and advice as to what is to be done in order to remedy the existing marketing evils. I have pointed out to them that individually they are helpless to better marketing conditions but that collectively they ought to be able to bring about greatly improved marketing conditions. That this thought is not an idle thought has been demonstrated by the achievements of the citrus growers, the raisin growers, the almond growers, the walnut growers and, still more recently, the peach growers. Every one of these industries was at one time in a bad way from the marketing point of view, some of them being brought close to the

edge of bankruptcy, and yet through organized effort every one of these activities has been placed on a solid footing and adversity has been converted into a high degree of prosperity.

Sacramento City is the center of a large hop growing district; if this industry keeps on declining it must do so to the injury of Sacramento. If it can again be put upon a profitable basis, Sacramento can not escape getting its full share of such added prosperity.

The plan in mind and which seemed to meet with the hearty support and cooperation of the many prominent hop growers who attended today's meeting, is to organize a Hop Growers Association having for its objective the signing up for a term of years somewhere between sixty and seventy per cent of the hop acreage of California, the members binding themselves to turn their crops over to be marketed by the association.

You can readily understand that hop growers can not do this unless the association is in a position to finance them and to make them advances on crop mortgages in order that the members may be able to plant, cultivate and harvest their crops.

If the bankers of Sacramento can see their way clear to make a tender to the Hop Growers Association similar to that they recently made to the Rice Growers Association, it would be a very great factor in aiding to secure the largest possible membership among the growers and thus tend to revive what is today a languishing industry.

It would seem to me that crop mortgages of individual members endorsed by the association ought to be satisfactory banking collateral for reasonable advances.

The bankers of Sacramento have established for themselves a reputation of being progressive and public spirited men, ready and anxious to do anything and everything within their power consistent with banking prudence to aid the industries of the state, and more especially those tributary to Sacramento. I therefore bespeak for the hop growers committee appointed this day to confer with you your most generous and favorable consideration and I feel assured that the committee may count upon you, if need be, to stretch a point to place them in a position where they can report back to the adjourned meeting that the hop growers will be placed by you in a position to announce to prospective members that their financial requirements within reasonable bounds will now through the association be provided for.

Very truly yours,

HARRIS WEINSTOCK,
State Market Director.

At the present writing (December 1), it is not possible to state definitely what action will be taken by the Sacramento bankers, but the following letter from Mr. A. A. Merkley, one of the promoters of the Hop Growers' Association, shows the hopeful outlook of the association's management:

I was requested to drop you a line regarding the hop growers' headway with the bankers here. Our committee met with the Clearing House last Friday and presented our case. We also read your letter, for which I want to thank you, and which was very essential and to the point. We presented our proposition in writing, and after discussing the matter pro and con, a committee was appointed by the Clearing House, consisting of C. F. Dillman, Fred W. Kiesel, and James Henderson to devise or suggest some plan under which we could organize and expect financial aid from the local bankers.

In conversation with Mr. Kiesel today, he tells me he will not be able to give us any time until some time next week, owing to the fact that he has been absent from town for several days, and is stacked up with business. However, he says he will use his utmost energy to the bringing about of a meeting as early as possible, and give us something to go on. There is nothing further to report along these lines, but

as soon as there is. I certainly will keep in touch with you. I feel that your assistance is going to give our organization a marvelous amount of prestige in threshing out the details, and lining up the growers to join us.

Thanking you for the interest you have taken in the matter, and for the courtesies shown, I beg to remain

Very truly yours,

A. A. MERKLEY.

STATE BUREAU OF DISTRIBUTION FOR CITRUS FRUITS.

One of the most important movements of the year, in my judgment, has been the inauguration of a campaign of education which it is expected will lead eventually to a revolution of the present methods of handling citrus fruits, a change from chaotic to scientific distribution. I have the utmost confidence that this will be brought about in the not distant future, and that it will result in largely increased returns to California growers, especially in years when normally they might expect many "red ink" returns. As State Market Director, I have strongly advocated the establishment of a State Bureau of Distribution to bring this about. Since the essential details are a matter of permanent interest, I submit to you the following account of the progress of the movement, couched in the form of a letter to the growers:

To the Citrus Growers of California:

The following statement of facts is sent to you as a citrus grower, in order that you may understand why the plan for a State Bureau of Distribution for Citrus Fruits (which was approved at your last growers' convention) can not be carried into effect. I bespeak for this statement your very serious consideration.

Shortly after my appointment as State Market Director, prominent citrus growers called my attention to the fact that there was something wrong with the present methods of marketing citrus fruits. They said that the industry, as a whole, had not for some years been profitable.

After investigation, I reached the conclusion that their grievances were well founded and that the main fault was in the routing and diverting of shipments. While the two-thirds of the crop handled by the California Fruit Growers' Exchange was being routed as intelligently as the limited information at hand made it possible, the lack of dependable information as to the routing and diverting of the remaining one-third of the crop led at times to gluts and famines in Eastern markets, lowering prices over the entire country and causing losses to all the producers.

The remedy, as I saw it, was the creation of a State Bureau of Distribution, modeled after that successfully conducted by the Federal Office of Markets in the Imperial Valley, which rescued the cantaloupe industry from impending disaster.

Briefly, the plan was this: The Exchange, the Mutual Orange Distributors, and all of the commercial shippers would be invited to cooperate in the selection of an advisory council of five members, representation thereon to be based upon the tonnage shipped by each of the various factors; this council of five would then select as head of the proposed bureau the best available man in the entire country and he would be appointed by the State Market Director and approved by the Governor.

This bureau, by agreement among the adherents, would be daily supplied with the fullest information in regard to the movement of every car of citrus fruits and it would avert glutting the markets through its ability to advise shippers when and where to divert their cars to their own advantage. It would not have arbitrary con-

trol over the shipments but would act merely in an advisory capacity, carefully respecting preferences for certain markets.

This plan was submitted by me to the annual convention of fruit growers in San Bernardino in February and met with their hearty endorsement. A special committee appointed by the State Horticultural Commissioner to examine into the details met in Los Angeles a few days later and gave their unanimous approval to the proposed bureau. Among other expressions of opinion, the following are noteworthy:

Mr. Swan (Director, California Fruit Growers' Exchange):

"I confess I came here rather prejudiced against the proposition, but the results of the discussion have somewhat changed my ideas, with the result that I am inclined to recommend its adoption to some extent—or to the full extent—provided the bureau can be established on a strictly nonpartisan basis, to cooperate fully with all shippers; and provided that at least 98 per cent of the shippers shall join in the movement, hoping that the results may breed the confidence in the minds of the growers which will result in stabilizing shipments."

Mr. Sprott (Director, California Fruit Growers' Exchange):

"The former speakers have more or less expressed my views and I do not think it is necessary to repeat each of them in detail. I am in favor of anything, and I am sure every Exchange director is in favor of anything, that will improve conditions. I fully appreciate Colonel Weinstock's sincerity and anxiety to help this industry and other industries in the state. I would only qualify my approval of the plan by saying that I think this matter of standardization of very great importance and should be coupled with the plan of organization which we have got to go into if we do the thing at all. We have got to have some plan of organization and we should not stop at one thing."

Mr. Teague (Director, California Fruit Growers' Exchange):

"I recognize that nearly all of the difficulties in marketing the citrus crop of California are due to improper distribution of the fruit, primarily to improper and unregulated daily shipments, and I would be very strongly in favor of the plan, speaking as an individual. I am not qualified to speak for the Exchange because I am not representing them here, and this question has not been brought before the Exchange, but as an individual I would be in favor of any legal plan that will accomplish a better distribution of this fruit, whether it be through cooperation with the state or otherwise."

On June 21st Mr. G. Harold Powell, general manager of the California Fruit Growers' Exchange, notified me that his board of directors had unanimously resolved not to become an adherent of the proposed State Bureau of Distribution, adding:

"This conclusion was reached after a reinvestigation extending over several months of the present distribution of the citrus fruit crop in all markets of the country. There has been no time when the California citrus fruit crop, as a whole, has been as well and as equably distributed to all markets of the United States and Canada as at the present time; and great progress is being continually made in strengthening the distributing system."

Meanwhile, I had laid the proposed plan before the shippers operating outside of the Exchange. As a result, the Mutual Orange Distributors (with forty-five local cooperative associations of growers) and practically every commercial citrus shipper in the state had signed up for the proposed Bureau—conditional, of course, upon the adherence of the Exchange being secured. In other words, every important factor in the entire citrus industry had agreed to cooperate, except the one organization which stands before the public as the foremost exponent of cooperation.

Now that the plan is halted indefinitely by the failure of the directors of the Exchange to cooperate, it may be well to sum up the leading arguments that have been advanced against the proposed Bureau, and to show how unsound they are:

(1) The question has been asked: "Why should the Exchange hand over its fine piece of mechanism to the mercy of an Utopian Progressivism that would like to try an experiment and to play upon the public gratitude?"

To begin with, the plan of the State Bureau of Distribution is not an untried plan. The method to be pursued has already been followed during two successful seasons in the Imperial Valley in the distribution of approximately 100 per cent of the cantaloupes produced in that territory, with very great success and satisfaction to all concerned. So it is not an experiment but is a practical idea that has been thoroughly demonstrated.

(2) It has been suggested that it is too much to ask of the Exchange that it place at the disposal of a state bureau its expensive daily market news service in return for the smaller amount of information contributed by the other adherents.

The answer is that this exchange of information would work both ways and the help to both sides would far outweigh the hurt. The Exchange doubtless tries to keep tab on the car movements of outside shippers as well as it can, but, not being a mind reader, it can not know what its competitors will do at the fifty-ninth minute of the eleventh hour. The results of such effort at best must be in the nature of guesswork.

Now, if you and I were groping around in the dark, trying to find the door, we doubtless would earnestly strive to avoid bumping into each other. By chance we might escape the bumps, but how much wiser to save effort and energy by turning on the light, so that with the least friction and effort and with the use of our fullest intelligence, the door could be speedily reached by both.

(3) The need for such a Bureau has been questioned on the ground that the California citrus crop, as a whole, is already being equably distributed to all markets of the United States and Canada.

If this were the case, such a bureau would never have been thought of. That it is not the case is shown by the following extract from a letter received from the American Fruit Distributors only a few days after Manager Powell had made the statement that the citrus crop was never so equably distributed over the country as now:

"The Pacific Daily Fruit World, which is an authentic and reliable report of the receipts in the various large eastern markets of California citrus fruits, shows that, for example, for the six selling days from June 16 to June 23, 1916, inclusive, there were received in the New York market an average of eighteen carloads of Valencia oranges per day; that the average price realized for that period was \$3.80 per box. The average receipts of Valencia oranges in the New York market, including the 26th, 27th, and 28th, had increased to twenty-nine cars a day, thus overloading the market for those three days at the rate of about eleven carloads a day, causing the price to slump from an average of \$3.80 per box to an average of \$3.43 per box.

"This slump in price had a restraining influence on the immediate receipts in New York thereafter, and for the succeeding six selling days (from the 29th of June to the 7th of July, inclusive) reduced the daily average receipts once more to eighteen cars per day. But despite the fact that the receipts had been reduced to a normal quantity by virtue of the serious break in the market, caused by overloading it for three days, the price not only did not recover, but dropped still further, to an average of \$3.38 per box. This meant a loss, as compared with the prices realized up to the 23d, of about 11 per cent for the New York sales alone, to say nothing of the slump in prices caused substantially all over the United States by virtue of the drop in the New York price, due to the fact that New York is the pace-setter for prices all over the country."

The foregoing undisputed facts and figures show conclusively that, notwithstanding Mr. Powell's statement to the contrary, eastern shipments are not as equably distributed as they should be and that the grower is paying the penalty.

(4) The claim has also been made that those who ship through the Exchange do not need the proposed state bureau, because they already have control of at least two-thirds of the shipments and do not need to bother themselves about the cars of the outside shippers.

It must be self-evident that if 100 per cent of the eastern shipments were sent out indiscriminately by as many distributors, feasts and famines in Eastern market must follow, because the work would be done blindly. The fact that two-thirds of the shipments are controlled and the distribution regulated by the Exchange, minimizes blind shipping but does not prevent it. The fact still remains that, however wisely and scientifically the management of the two-thirds may distribute its shipments, the remaining one-third (or even part of such third) can kick said management's well-laid plans to death by unknowingly overloading certain markets to the injury of the whole 100 per cent.

If it is a good plan to have two-thirds of the shipments controlled and intelligently routed and diverted, as is now being done by the Exchange, how much wiser to have the whole 100 per cent treated in like manner, for the common good of all concerned.

At any rate, if a State Bureau of Distribution should be established, none of the shippers would be tied up by an ironclad agreement. All that I have asked is that the plan be given a fair trial. The worst that could possibly happen would be that the Bureau would go to pieces, leaving every shipper in exactly the position in which he now finds himself.

In view of all of the foregoing, must it not be plain to you that, in the event of future glutting of eastern citrus markets, due to unregulated distribution, with its consequent losses to the growers, the responsibility for such conditions will lie wholly and solely with the directors of the Exchange?

For the first time in the history of the citrus industry, so far as I happen to know, it has been possible to get substantially 100 per cent of the independents to express their willingness to cooperate with the Exchange for the purpose of eliminating marketing evils by a cooperative system of routing and diverting. We may never again be able to bring about that possibility; and if not, again the responsibility will rest with the Exchange for having been unwilling at this favorable time to make the most of such an opportunity.

Conditions this season are exceptionally favorable, due to a high degree of Eastern prosperity and a short crop. If this should prove to be a permanent condition, there would be less need of any bureau of distribution; but we all know that there have been serious gluts in the past and that nobody can guarantee against a repetition of the conditions prevailing from January 1 to April 1, 1915, when serious gluts nearly ruined the growers. When the demand is greater than the supply, it is no problem to dispose of a crop; but when the supply is greater than the demand, it requires the highest wisdom and the most perfected distributing organization to minimize the loss to the grower likely to follow overloaded markets. This, then, is the time for preparedness, so that when a return of unfavorable conditions comes, losses to growers can be minimized through the service to be rendered by the proposed State Bureau of Distribution.

After all, it is not for the State Market Director nor for the directors of the Fruit Exchange to say whether the citrus crop shall or shall not be intelligently routed and diverted through a state bureau. The final word must rest with growers themselves. If you and your fellow growers are content with the existing system, which because of blind shipping not infrequently leads to your getting only a part of the full value to which you are entitled, the State Market Director must rest content.

I am sure, however, that you are not willing to be the victim of needless waste, due to unintelligent routing and diverting, when a safe and sane remedy is within easy reach. That remedy is a state bureau which, by common consent of all distributors, can gather and disseminate the fullest shipping information—not of one-third of the crop or of two-thirds of the crop, but (as is imperative) of virtually 100 per cent of the crop.

The whole question now rests squarely upon the shoulders of the rank and file of the citrus growers. If you so desire, you and your fellow growers can easily take steps to make clear to the Exchange officials that you want at least to give a fair trial to a system of routing and diverting eastern shipments in such a way as to minimize waste and secure for you the full value of your crop.

Very truly yours,

HARRIS WEINSTOCK,
State Market Director.

The responses which I have had from the growers and the shippers, both in letter and in person, have been so numerous and so encouraging that I feel renewed confidence in advocating this improved method of routing and diverting citrus fruits, as well as renewed confidence that when it shall once have been given a fair trial it will become the permanent and popular method of distribution.

STATE BUREAU OF DISTRIBUTION FOR DECIDUOUS FRUITS.

The method advocated for more scientifically handling the citrus shipments of the state was even more hopefully advocated for deciduous fruits, in view of the fact that the method had, in a limited way, long been in successful operation by the California Fruit Distributors, an organization composed of about fifteen commercial shippers operating as a unit, with one man in charge of all their shipments. The chief differences between the method of the Distributors and that of the proposed Bureau are that the State Bureau would include practically 100 per cent of the shipments (an essential feature), whereas the California Fruit Distributors represented only about 60 per cent; and, secondly, that it would act in an advisory capacity and would not actually control the shipments. The full story of the effort to bring about the establishment of this much-needed bureau is told in the following statement addressed to the growers:

To the Fruit Growers of California:

Something like twenty-eight years ago, at a time when the prices received for California deciduous fruits were so low and uncertain that the growers were no longer sure of making a decent living, I went East on my own initiative to see what the trouble was. I was then myself a grower and shipper of fresh fruits, but I was also a merchant with some experience in the fundamental principles of buying and selling.

As the result of what I saw in the fruit markets of the East, I immediately advocated that California deciduous fruits should be sold at public auction in all of the large markets. The idea was so revolutionary that many men of experience and of sincerity declared it to be impracticable; others hooted at the idea; still others (who mistakenly thought that their personal pocketbooks would be affected) opposed the plan in every way they could think of. But the plan went through, just the same.

It was not a perfect plan, but it was a great improvement over the chaotic method of selling on consignment at private sale—the plan then in operation—because under

the consignment plan the grower had to take whatever the commission merchant sent him and had no way of checking up the prices at which his fruit was alleged to have been sold; besides, under this plan the distribution was limited. Under the auction plan the growers got every penny that their fruit was worth on the day of sale; their money was on the way within twenty-four hours; and the distribution of California fresh fruits in the East was increased from about 1,000 carloads a year (which then glutted the markets) to 17,000 carloads shipped East every year in more recent times. And these benefits to the grower have come in the face of the fact that enormous areas in the Western states have been planted to fruit which now comes into competition with California fruits in the markets of the East. The best test of the practicability of the auction plan then introduced is the fact that no one has been able to suggest a better plan during these twenty-eight years. Most of the California deciduous fruit that is now sold in the East is marketed in this way.

During these twenty-eight years I have been learning a good many more things about the science of buying and selling California fruits, and I have had the immense advantage of being able to approach the subject from the standpoint of the common good instead of from that of self-interest. Therefore, shortly after I was asked to serve as the first State Market Director of California, I suggested an improved marketing plan which, it seemed to me, would, in times of abnormal crops, tend to minimize "red ink" returns. Briefly, the plan was this:

Let the California Fruit Distributors, of Sacramento (representing about two-thirds of the deciduous shipments), and the California Fruit Exchange, of Sacramento (representing about one-sixth of the deciduous shipments), and all of the independent shippers meet together and elect a council of five, to be known as a State Bureau of Distribution for Deciduous Fruits, representation to be on the basis of tonnage shipped by each of the factors. Then let these five select the most capable man they can find and make him the executive head of the Bureau, this selection to be appointed by the State Market Director and approved by the Governor; then all of his activities will be subject to the supervision of the State Commission Market.

The idea was that this Bureau would be a clearing house of shipping information and its executive head would know each day the whereabouts of every car of California deciduous fruits, its original destination, and every diversion that might be made by the shippers. With this information regarding all the shipments at hand, he would be able to advise each shipper in such a way that he would not blindly overload any market or leave any other market unprovided for. Each market would receive up to its maximum capacity and not a car more.

This bureau would not have arbitrary control over any shipment, nor would it interfere with anybody's preference for certain markets. It would act merely as a clearing house of information and would not disturb existing methods and organizations any more than a bank clearing house interferes with the deposits or loans of individual banks.

This proposition of a State Bureau of Distribution was personally laid before each of the deciduous shipping factors and the cooperation of all was invited, in order that gluts and famines affecting the entire industry might be minimized. The board of directors of the California Fruit Distributors, of Sacramento, officially agreed to the plan and almost every independent shipper of deciduous fruits signed up for it. The only outstanding factor anywhere in the state was the California Fruit Exchange, of Sacramento, which has always been the loudest to preach cooperation and which was expected to be the first to come in. Finally its manager, Mr. J. F. Nagle, announced that his directors had deferred the matter to his judgment and that he was not prepared to become an adherent—assuming full personal responsibility for such action. This decision effectively prevented the proposed Bureau from being put into operation, since the adherence of at least 98 per cent of the tonnage was one of the conditions laid down—just as the decision of the directors of the California Fruit Growers' Exchange, of Los Angeles, prevented the same plan from being put into operation in connection with citrus fruits.

Mr. Nagle has personally explained that he considers such a bureau unnecessary; that the growers belonging to the exchange are satisfied with present conditions; and that he is already in possession of sufficient information to enable him to satisfactorily market his shipments. The fact that prices are satisfactory is probably true of the present year, for the independent shippers also are now jubilant over the returns which they are receiving from the East, but none of us know how quickly the tide will turn and Eastern markets again become glutted as the result of blind shipping.

That Mr. Nagle has overestimated his ability to secure and act upon the fullest shipping information regarding the movements of his competitors, and has occasioned losses to Exchange members as well as to other shippers of deciduous fruits, is made indisputable by the contents of the following letter which was addressed to him by me:

San Francisco, August 14, 1916.

MR. J. F. NAGLE,

*California Fruit Exchange,
Sacramento, California.*

MY DEAR MR. NAGLE: Your parting word at our last conference in your Sacramento office was to the effect that you felt that there was no need for the proposed State Bureau of Distribution for the routing and diverting of Eastern deciduous fruit shipments, to minimize gluts and famines, but that whenever I can show you that there is need for such a Bureau, you stand ready to have the California Fruit Exchange, of which you are the manager, join the representatives of the remaining 85 per cent of the shipments and give the new method a fair trial. You further said that you were prepared to assume all responsibility for any unfortunate results that might follow because of your withholding your adherence at the present time.

I now wish to give you just one illustration to show the imperative need of such a State Bureau of Distribution and to point out how it would minimize gluts in Eastern markets. I am prepared to show you, I hope to your entire satisfaction, that the absence of such a bureau is subjecting not only the members of your Exchange but the deciduous fruit growers and shippers of the entire state to a constant and serious loss, due to blind shipping, that in the course of almost any shipping season is likely to cost them hundreds of thousands of dollars.

Please refer to the records of the New York market for just one week and examine the sales of California Bartlett pears from Monday, July 24, to Friday, July 28, 1916, inclusive. You will note the following figures, which are taken from the New York Fruit World (Reporter), a publication whose reputation for accuracy and reliability is established beyond question:

| | | | | |
|------------|----------|----------|-------------------|----------------|
| Monday, | July 24, | 52 cars, | 27,100 boxes----- | \$2 04 average |
| Tuesday, | July 25, | 27 cars, | 14,045 boxes----- | 2 21 average |
| Wednesday, | July 26, | 23 cars, | 11,765 boxes----- | 2 48 average |
| Thursday, | July 27, | 28 cars, | 14,550 boxes----- | 2 48 average |
| Friday, | July 28, | 31 cars, | 16,195 boxes----- | 2 57 average |

You will note that on Monday, the 24th, there were dumped upon the New York market 52 carloads of California pears, equal to 27,100 boxes, which realized an average of only \$2.04 a box. This happened because you did not have complete and accurate knowledge of the routing plans of your competitors, nor did they have complete and accurate knowledge of your routing plans. For the remaining four days of that week the pear sales for New York averaged about 27 cars a day, or 14,000 boxes, and the average price realized for those four days was \$2.43 a box.

The overload on Monday's market meant that the growers realized 39 cents a box less on that day than they did on the average for the remaining days of that week, making in the aggregate a loss to California growers for that Monday's transactions alone of about \$10,500, on the one item of Bartlett pears.

The Stewart Fruit Company, the largest single seller of California Bartletts during this week, has been asked to comment on this point and this is its reply:

"Had we known, however, on the Saturday before just how many Bartlett pears were to have been offered by everyone for the coming week (which would have been made possible by a state bureau of distribution), there is no question but what we could have made a better average than we did for our 25,000 boxes of Bartletts. Who among the shippers, knowing in advance that over 83,000 boxes of pears were available for the week, would have chosen to put on one-third of the entire offerings for the week, on Monday? Please note in this connection that the Exchange put on practically 55 per cent of its entire offerings of the week, on Monday alone. How much better it would have been for all concerned, and particularly for the Exchange, had the 83,000-box offering been equally divided for the week, with a daily offering of about 16,000 boxes. We firmly believe that with the information that a Bureau of Distribution could have given the shipper, it would have resulted in an increased market for everyone of at least 25 cents per box on these 83,000 boxes of pears; or, in other words, \$20,000 for California growers, in this one market alone, for the week, on the single item of Bartlett pears—not to say anything of the remainder of the offerings on that market, consisting of peaches, plums, grapes, etc."

Suppose, Mr. Nagle, that you owned all the pears in the state and that you had appointed a distributor to route and divert them for you. Suppose he should dump 52 cars in New York on Monday, as against an average shipment for the remaining four days in the week of about 27 cars a day. In other words, suppose he had started the week with double the normal supply instead of spreading this excess supply over the entire week, and had not only greatly depressed the price for that day but had helped to depress prices for the rest of the week, showing a loss to you on the first day's glutted supply of about \$10,500, to say nothing of the unfavorable effect this oversupply had on prices for the rest of the week; is it not fair, in such a case, to assume that you would have had a prompt and very serious conversation with that distributor on the subject of incompetence and criminal stupidity? And yet this is exactly what happened as the result of the present system (or lack of system) in routing and diverting shipments—for all of which you, by letter and in conversation, express a willingness to hold yourself personally responsible.

I am sure that if we should go over the season's records together, we should find a repetition of the foregoing results happening, in a greater or less degree, in other weeks—needlessly causing to the California fruit growers losses running into hundreds of thousands of dollars for the shipping season, all because of blind shipping, and all of which could largely be prevented by a State Bureau of Distribution.

In the daily press you have been quoted as saying, as you have previously said personally, that the members of your Exchange are very well satisfied with results and that they have no complaints to make. It is of course well known that, owing to abnormal Eastern prosperity and to short Eastern fruit crops this year, prices for California fruit have as a rule been the highest in the history of the industry. In a general way, therefore, it is easy to understand that your growers, in common with many who ship through other channels, are satisfied at this present moment. Do you think, however, that your growers, or any growers, would be satisfied if they were familiar with the facts contained in this letter and should they realize that you are personally responsible to the pear growers alone for a needless loss on just one day of about \$10,500, because of your insistence in continuing the present lack of a system of sane, intelligent distribution?

Can you any longer doubt that the present blind method of distribution could be greatly improved and a needless abnormal tax thereby lifted from the California grower?

I have no doubt, Mr. Nagle, that it is your earnest desire to do anything and everything to secure, not only for the members of your Exchange but also for all the growers of California, the largest possible returns for their products. In fact, you have repeatedly assured me of this and with an earnestness that has led me to expect your cooperation.

In view of the facts contained in this letter, I express the hope that you will now see how great an injustice you are doing the members of your Exchange and the fruit growers of the state generally in making regulated distribution impossible by withholding adherence to the proposed State Bureau of Distribution, and that I may now confidently look forward to your cooperation in a movement which will unquestionably tend to lessen the recurrence of such unfortunate incidents as that which I have brought to your attention in this letter.

Very truly yours,

HARRIS WEINSTOCK,
State Market Director.

To this letter Mr. Nagle did not reply, but a "follow-up" communication from Secretary Forbes brought the following response under date of August 19th:

"In reply to yours of the 18th, have to advise that I received a letter from Colonel Weinstock on August 15th, but I did not think it required a reply; and I must confess that I was not particularly interested in it as, after having perused it, I found it contained some incorrect statistics from one of our competitors that were of absolutely no use or value to this office."

Mr. Nagle was then asked by me to point out the inaccuracies to which he refers, but thus far he has failed to do so. The only inaccuracy of which I am aware was the use of the word "World" instead of "Reporter" in quoting the authority for the figures.

Since then I have had the auction catalogues themselves checked up, covering the sales from Monday, July 24th, to Friday, July 28th, inclusive, and these catalogues verify the figures given by the Fruit Reporter. Excluding broken boxes, the sales of Bartlett pears by the Exchange during that week were as follows:

Sale of Bartlett Pears by California Fruit Exchange.

| | Boxes | Percentage | Average price realized |
|-----------------------------------|-------|------------|------------------------|
| Total offerings for week..... | 6,964 | 100 | |
| Sold on Monday, July 24th..... | 3,638 | 52 | \$2 04 |
| Sold on Tuesday, July 25th..... | 1,643 | 23 | 2 21 |
| Sold on Wednesday, July 26th..... | 753 | 11 | 2 48 |
| Sold on Thursday, July 27th..... | 462 | 7 | 2 48 |
| Sold on Friday, July 28th..... | 468 | 7 | 2 57 |
| Average | | | \$2 43 |

I have also had the figures of the New York Fruit Reporter rechecked and challenge Mr. Nagle to show wherein they are incorrect.

In the meanwhile, the figures as they stand show—to put it mildly—exceedingly poor judgment on the part of the management of the deciduous exchange, especially in view of its insistence that its members have no need of a more scientific method of routing and diverting their shipments. As stated, one day's glut of the New York market cost the California growers \$10,500 on Bartlett pears alone.

As State Market Director of California, I am naturally the repository of the complaints of growers who feel that they are not getting a fair return from their labor and their investment; and I know that there is a positive wish for a better method of marketing California fruits, so that next year and the next and the next the grower may be safeguarded against reckless shipping and its inevitable losses. I have pointed out that better method—and it has met with the signed approval of practically every important deciduous fruit shipper in California, except Mr. Nagle. Since the directors of the Exchange have left the deciding power in his hands, he has been able temporarily to prevent the state from carrying out its

plan, but it will not take more than one or two more bad years, with their quota of "red ink," to educate the growers as to the difference between intelligent and blind shipping.

The plan of a State Bureau of Distribution is what you will come to sooner or later, and the sooner you come the less you will lose. I am just as thoroughly satisfied that it is the solution of most of the gluts and famines in Eastern markets as I was satisfied twenty-eight years ago that the introduction of the auction system would cause California fruit to be sold in New York City by the carload after carload, instead of that market being supplied by express shipments from Chicago, as was then the case. And the Bureau will stand the test of time, just as the auction plan has done.

Meanwhile, as State Market Director, I await your pleasure in the matter. If you wish to wait until the bad year is upon you, whereas you might be getting ready the machinery to avert it, your pleasure is mine.

You, as an individual—and not your organization—are the one who always pays the price of unscientific marketing; when you get tired of paying it, perhaps we can all get together and do our shipping with open eyes and the fullest intelligence.

Very truly yours,

HARRIS WEINSTOCK,
State Market Director.

With this full and frank statement of the situation, I rest my case, in the full confidence that the judgment of the future will vindicate the correctness of the views herein expressed.

CATTLE AND HOGS.

In the marketing of cattle and hogs, the small farmer is obliged to sell to the itinerant buyers who visit him at more or less irregular intervals, or to ship to the large centers on consignment. If he ships on consignment, he is placed at the disadvantage of being obliged to accept whatever is remitted to him, without knowing whether he is getting the value of his product, nor has he any means of checking the weights with which he is credited by the consignee. He is placed under the further disadvantage of being obliged to ship to the large centers in less than carload lots, thus being taxed with the maximum freight rates.

On the other hand, if he sells to the itinerant buyer, he is placed at the disadvantage of dealing with an expert who is a shrewd bargainer, and who is thoroughly informed on the market conditions, thus giving him every advantage over the small farmer, who is not in a position to know the exact market conditions and who, as a rule, is no match in knowledge, experience or cleverness for the man to whom he is selling.

The ideal marketing condition, in the interest of the small farmer who has live stock to sell, is to have local organizations, the members of which can deliver their few head of live stock at a central shipping point on a given day, in order to ship in carload lots, these to be transported

to stockyards located at convenient points for the assembling of the buyers. The associations would be represented at such stockyards by selling agents, who, being expert cattlemen, would grade and segregate the live stock and invite bids from the various buyers, selling for spot cash to the highest bidders. The approximate cost of selling under such a plan would not exceed $1\frac{1}{2}$ per cent commission, which would include compensation to the selling agent, and the feeding and housing in the stockyards.

Under the foregoing system the small farmer, then, would get the benefit of carload rates on his few head of live stock, and would enjoy all the advantages of having his stock properly graded and sold by expert salesmen, thoroughly informed as to market conditions, and in a position to meet on an even footing the expert buyers for packers and others. He would secure all these advantages at the least possible cost, and his sales would be made practically for spot cash.

It is my purpose to endeavor to have this plan carried out at the earliest day. To accomplish the desired end, it will be necessary to enlist private capital in the establishing of stockyards in suitable locations, in various parts of the state. It will also become necessary to organize the farmers into local live stock marketing associations, and then federate them into state live stock marketing associations. I am at present in correspondence with parties who are interested in the establishing of stockyards, and there is now a strong likelihood that in due course the first of such stockyards will be established at some convenient point in the Sacramento Valley. If the first effort in this direction can be made a success, I anticipate little difficulty in duplicating the plan in other parts of the state; and when this shall have been accomplished, I feel that the problem on the part of the small farmer in successfully marketing his live stock will have been largely solved.

CALIFORNIA BEEKEEPERS.

At various times during the present year, my office has been consulted by prominent honey producers who requested that something be done to improve their marketing conditions. Having secured a list of representative beekeepers in all parts of the state, I thereupon made a widespread investigation, with the result that I did not feel warranted in making an attempt to organize them into one or more marketing associations until a later date.

The most practical step to take seemed to be that of helping to bring about the establishment of honey standards, whereby the many varieties of honey produced in California might be graded in a manner satisfactory to the trade and, possibly, be inspected and labeled by the state.

The cooperation of the experts on the staff of the College of Agriculture of the University of California was therefore invited and it was promptly assured. My office is at the present time engaged in collecting samples of honey from all parts of the state and these will be turned over to the university for analysis and grading. By cooperating with the honey dealers also, it is believed that the standardization of California honey can be brought about—and this achievement will be welcomed by producer, dealer, and consumer alike.

The next step to be taken by my office will logically be that of calling a conference of leading beekeepers from all over the state, for a discussion of plans whereby better market methods can be secured through collective action.

STATE AND MUNICIPAL FREE MARKETS.

There are, of course, many who honestly believe that most of the market ills of the consumer, as well as of the producer, would be solved if the State Market Director were to establish free markets in the principal cities and towns of the state. They overlook the fact that no state intervention or assistance is necessary for establishing such markets wherever they may be desired. Any group of farmers who have produce to sell can voluntarily organize themselves and by cooperation with the municipal authorities proceed to establish free markets and sell direct to the consumer. Such markets were in existence before the State Market Law was passed, and, without state aid or direction, are operating more or less successfully in the cities of San Diego, Santa Cruz, Fresno, Sacramento and other places. They will continue to be organized from time to time, quite independent of the activities of any State Market Director.

While I personally welcome the establishment of every new free market, I do not regard them as the panacea for marketing ills, as they touch simply the barest fringe of the problem of distribution, and at best the sales therein represent only—and under the most favorable circumstances would represent only—an insignificant fraction of our gross home consumption of such farm products.

I have recently been in correspondence with the market directors of about a dozen other states, and the reports which they make to me regarding the efficacy of free markets for bringing together producer and consumer are not encouraging. They seem to be a benefit mainly to a very small class of producers who farm in a small way and have very little to sell, which otherwise would go to waste, and plenty of waste time in which to sell it, and who do not figure time as an element in the cost of selling. The principal consumers who seem to be helped are the small class of housewives who are willing to go to the market

with their baskets, pay spot cash, and bring home what they need. The difficulty of inducing housewives to buy at public markets is well expressed by Colonel John P. Irish, a prominent Delta farmer, who wrote me on January 8, 1915, as follows:

"When my onions are waiting on the levee for a price equal to $\frac{1}{10}$ of a cent a pound, the consumer is phoning the store to send 25 cents worth of onions, and he gets three pounds, or $8\frac{1}{3}$ cents a pound. If I should ship down a carload and advertise for the consumer to come and take them away at 80 cents per sack of 105 pounds, I would not sell two sacks.

"It is the same with potatoes, for which the consumer pays $2\frac{1}{2}$ cents a pound, but he would not buy of me by the sack at \$1.25, or about 1 cent a pound.

"This, too, is the reason why the so-called free market failed in San Francisco and most of our cities. The consumer wants most of his stuff 'sent up,' and thinks that delivery to his kitchen door costs him nothing."

The theoretical lowering of the price does not always work out in actual practice, for the average farmer who deals directly with the consumer seeks to get for his products all that he can, which, as a rule, is a price that would be approximately what the consumer would have to pay for it if the purchase were made through the regular channels. Many consumers who have tried free markets have pointed out that as a rule they have no protection when the product proves unfit, such as they have in buying from established dealers.

As an illustration showing that some marketing ideas which sound well or look well on paper do not always work out in actual practice, I mention the following: About a year ago, I was informed by one strenuous advocate of the producer-to-consumer idea that he had found a short cut to reach the housewife direct with canned products from a cooperative cannery—a plan which would place California canned goods in the home at lower prices and yet at a better profit to the producer, the "middleman" being eliminated. The enthusiastic advocate explained that he was making arrangements with Eastern warehousemen to take on carload consignments of canned products and to sell them in case lots direct to the consumer, on a 10 per cent commission basis. In this wise, the retailer's profit of about 25 per cent would be saved, and, by dividing this 25 per cent, the producer would get a higher price and the consumer would get a lower price.

While East last January, I made it my business to follow up the plan. I found that the concern whose name had been given me was that of a furniture warehouse company, located several blocks from the business center of the community. I found the warehouseman an unusually intelligent man, and in discussing the plan he was frank and

candid enough to say that he had no faith in its merit. He pointed out that his warehouse, for example, was constructed for furniture, and that the excessive summer heat and excessive winter cold would most unfavorably affect such a product as canned goods if stored in his building; furthermore, that the only consumers to whom the proposition would appeal would be those who were prepared to buy in case lots for spot cash and who were in a position to convey such case lots from the warehouse to their homes. Moreover, he estimated it would cost from 20 per cent to 40 per cent of the final selling price for publicity alone, to educate the consumers to the fact that they could find California canned products in so unexpected a place as a furniture warehouse located several blocks from the business center, and that it would demand continued publicity at a prohibitory cost to keep people advised and reminded of that fact. Furthermore, that if the idea were carried out to its logical limit, it would mean that the cannery would have tens of thousands of dollars' worth of canned goods scattered throughout the country on consignment, steadily depreciating in value, and at a cost of distribution, including the cost of publicity, which would prove a far greater burden upon the producer and ultimately upon the consumer, than the present system.

He thoroughly convinced me of the soundness of his criticism, as I am sure his logic would convince any sane and reasonable investigator.

I do not know of any better brains that are employed in distribution than those to be found in the organizations of the citrus and raisin growers. I am informed that both these associations made an exhaustive survey some time ago, with a view of exploiting the idea of selling direct to the consumer. As the result of a most scientific investigation on their part, the conclusion was reached that such a method would be far more costly and very much less efficient than to continue to distribute through the existing jobbing and retail machinery.

For example, for the citrus growers to get as wide a distribution as they now enjoy, they would practically have to establish as many retail and wholesale houses throughout the length and breadth of the land as now exist; this, in order that their products might reach (as they now do) every nook and corner, every village, town and hamlet throughout the continent. To create this machinery would involve an enormous capital with an enormous organization, with the further fact staring them in the face that the entire overhead for rent, taxes, insurance, accounting, clerk hire, etc., would have to be borne by their one commodity, in place of being distributed (as now) over the very many commodities that a jobber and retailer handle, making the situation an impossible one.

What the citrus growers and the raisin growers have been enabled to do by organization as producers, is to minimize speculation in their products and to give them a voice in fixing and in stabilizing prices; and when they have done these things they have made great strides in the direction of bettering market conditions for both producer and consumer.

Let me give another case in point. Last January while East, as the result of an investigation, I found that the average price for dried California peaches in New York at retail was about 17 cents per pound. The California grower at that time was getting about $2\frac{1}{2}$ cents per pound. It was said to cost him between 4 cents and 5 cents a pound to produce them. That meant that out of every dollar paid by the Eastern consumer for California dried peaches, the California peach-grower was getting about 14 cents, making a cost of 86 cents for distribution, showing clearly a great waste in the cost of such distribution and making it further plain that there was ample room for reducing the price to the consumer and raising the price to the producer. Meanwhile, the peach growers of California have organized, with the result that this year they are quoting a price between $5\frac{1}{2}$ cents and 8 cents per pound, which to them is a remunerative price, whereas the price to the consumer has been lowered about 16 per cent as compared with a year ago. This change has been brought about to the advantage of both, by the growers collectively being a position to minimize speculation and to have a voice in stabilizing prices.

There is yet another class of free-market enthusiasts which believes that the high cost of living could be solved if our miscellaneous farm products should be brought together in a state depot in each of our largest cities, and there be sold at public auction to all kinds of buyers, including wholesalers, retailers and householders.

As the father of the system of selling California fruits at public auction in the markets of the East, brought about over twenty-five years ago by my advocacy, it can easily be understood that I am in sympathy with the auction idea. As a matter of fact, one of my first investigations immediately after my appointment as State Market Director was with a view of determining the practicability of the auction plan for such markets at Los Angeles and San Francisco.

At my urgent invitation, Mr. E. L. Goodsell, of the New York Fruit Auction Company (probably one of the greatest living authorities on the auction system), came to California the early part of this year, to make a survey of our home markets with a view of aiding me to determine whether the auction plan would work at this end. The conclusion reached after such survey and investigations was that it would be extra-hazardous to undertake it at this time, in view of the existing physical

conditions; that to undertake it under unfavorable conditions would spell failure and would give the whole auction idea for California marketing points a "black eye" for a long time to come; that, therefore, it would not be wise to undertake it unless there were reasonable assurance that it was likely to succeed.

The conditions at this end are in many respects totally unlike the conditions prevailing in the larger Eastern markets, where the auction plan has been a success. The reasons for the success of the auction method at the large Eastern points are: (1) Our California products reach the markets in carload lots and are sold in good-sized quantities; (2) The number of buyers in each market who are prepared to take the minimum quantities established by the rules of the auction house is sufficiently large to prevent them from pooling together and thus, so to speak, stealing the products from the owners.

It is not at all practicable to sell by public auction perishable products in small household quantities that must be gotten into the hands of the housewife during the earliest morning hours. Take the city of San Francisco, for example, and we find the following physical conditions: Perishable farm products are brought into the city by water at several different and more or less widely separated docks. In addition, other perishable farm products are brought into the city by four different railways with widely separated terminals. This would mean that it would be necessary to hold several different auction sales at several different places, or else to concentrate all the products in some one central spot.

It can easily be understood how impracticable it would be to hold simultaneously several different auction sales of highly perishable products, scattering and dividing the buyers and thus minimizing prices realized; and how impracticable it would be, on the other hand, to defer sales until the highly perishable products (like berries, for example) from these many different terminals could be concentrated. The day would be practically over before this could be accomplished, making speedy distribution impossible.

Furthermore, we can easily picture the result of attempting to sell a day's supply of perishable farm products by auction in the petty quantities likely to be required by housewives and small retailers. One can imagine a housewife going down to the auction house, perhaps in the early morning hours, and waiting until such items as she might be interested in would be offered. Such items might be offered during the first five minutes, and they might not be reached for hours afterward. Meanwhile, the housewife would be watching for her opportunity, to the neglect of her household and other duties.

From the foregoing it must be self-evident that to expedite distribution, sales by auction must be confined to wholesalers and large retailers who can buy in quantities. At the Eastern auction sales, carload lots are disposed of at the rate of about five minutes to the carload. This is made possible because the minimum quantity is such that carload lots are quickly absorbed.

From all the foregoing it can be understood that to make a success of the auction system demands one central terminal, at which all products coming from various directions can be speedily centralized. In the second place, it means that the products must be sold in good-sized quantities in order that they may get into the hands of consumers at the earliest moment. Third, it requires the support of the wholesalers and large retailers. Fourth, it means that the producers must be organized and must be willing to have their products sold at auction.

From all that I have been able to ascertain at this end, the wholesale buyers are not in sympathy with the auction plan here, and would be unwilling to support it unless the auction practically had a monopoly of the supply, which, of course, would compel them to support it. Such monopoly of supply for the auction could not be established unless, first of all, the growers shipping to local markets were organized strongly enough to resist the temptation to sell to the wholesalers at private sale for cash, rather than to take the chances of accepting such prices as might be offered at auction sales.

As one who is strongly in sympathy with the auction idea, I have hopes that in due course conditions may be changed so that the system may be given a test in our larger California cities. With that end in view, an effort is being made in San Francisco (and, I understand, in Los Angeles also) to establish a central rail-and-water terminal. When this shall have been brought about, an important stride will have been taken in the direction of making a California auction system possible.

The next step after that will be to enlist the support of the wholesale trade for such auction sales. This in itself will be no easy task, because the wholesaler feels that he can make a better profit under a private-sale system than he can by buying at auction.

Then will come the third problem of organizing the farmers who ship to the local markets, who are widely scattered and who have competing interests, and the further problem of getting them to consent to sell their products only through the auction system.

Most of the truck farmers tributary to our large cities are Orientals or other foreigners; and at best it is an extremely difficult task, because of racial and other differences, to organize such people into effective marketing associations.

Since there are already in existence in California a number of free markets, it has seemed wise to me to have made a first-hand investi-

gation of some of these, and the investigation has been made in a spirit of the utmost fairness and with the sincere desire to learn the practical results being derived from these markets. As a part of this report, I give below a summary of the reports on the free markets of Fresno and of Sacramento (one of the oldest and one of the newest) and also a summary of my correspondence with the market directors of a number of other states.

THE SACRAMENTO FREE MARKET.

This market was established less than a year ago, largely through the efforts of the Sacramento Chamber of Commerce, and was at first conducted under the auspices of that organization. Opposition from retail dealers who were members of the Chamber of Commerce soon developed, however, and it was necessary to move the market to other quarters. During the month of September, Mr. George P. Weldon, assistant secretary of the State Commission Market, with offices in Sacramento, was requested to investigate and report on the methods and results of this market. This work was done very thoroughly by Mr. O. W. Newman, under Mr. Weldon's directions, and questionnaires supplied by me were very carefully filled in by 35 of the market men. The reports show that the men interviewed live all the way from four to 13 miles from Sacramento, and the daily sales of these particular men do not for the most part exceed \$10, although there was one who reported a sale of \$75 worth on Saturday.

The comments of Mr. Newman, in summing up the results of his investigation, are as follows:

I obtained some thirty-five names, and have visited each one personally. In most cases I have written the answers to the questions requested by Colonel Weinstock, myself.

During the course of the investigation, several ideas occurred to me, which I am enclosing herewith. One important question which was not asked, was the number of acres which these farmers have in cultivation. In some cases I have omitted to obtain this information, but in the majority of cases it is included.

Question 4. "What products do you raise for selling at the free market?"

In the answers to this question, it must not be overlooked that nearly every one of these farmers sells things which would not be taken by the stores. Such as, for example, flowers, vegetables, home products such as pickles, cottage cheese, butter, rabbits, squabs, duck eggs, and the like. As an illustration of this I cite the report of Mr. E——. His wife sold, during the present season, over \$50 worth of sweet peas at the free market, and over \$100 worth of string and lima beans, in small quantities.

Questions 6 and 7. "How much of your day is taken up in attending the free market, and what do you value your services at per day?"

It is important to remember that a farmer must go to town sometimes, and that while in town he buys all his groceries, clothes, etc., for the week. This should be

discounted from the expense of the trip. Also, in most cases with those attending the free market, the time is that of the housewife. In nearly every case, when I tried to get answers to these questions, I received the reply that if a farmer can not sell his produce his time is valueless. Therefore, the amount of time consumed in making sales should be counted as so much gained.

Question 8. "How long have you been coming to the free market?"

In getting answers to this question, I tried to find out what else these farmers do to bring in capital. In some cases there are grain, potatoes, hogs, fruit, etc., and the free market is used to get rid of by-products, but in many cases the farmers sell nothing other than that sold in the free market, and many have stated that had it not been for the free market (especially those who have started during the last two or three years) they would have been unable to meet the payments on their property.

Questions 13 and 18. "Should the free market be discontinued, how would you dispose of your products you now sell there, and how did you formerly dispose of the products which you now sell at the free market?"

In answering these questions I noticed that many of the free marketers are just beginning their experiments as agriculturists. Apparently, a good free market would help to stimulate interest in small farms and would make life on a small farm possible. I questioned many of the farmers as to their neighbors. Some neighbors are large owners, or men with more money who do not try to make any of the expenses from small crops, and many do not sell anything except to the stores. This latter class are, many of them, a poor lot. So far as I have been able to determine, the free market is stimulating to industry, aggression and interest. It brings the personal initiative to the front; and the farmers, mingling on the market, seeing how much better or worse their neighbors' articles are, and by the direct contact and competition with purchasers, become aroused to a realization of what is demanded of them. I believe that even if the members of the free market only make expenses, the influence on their lives is one of good, and will bring good to their community and money to the county treasury.

Question 19. "What general comments or criticisms have you in mind?"

In answer to this question nearly every member of the free market stated that if conditions were improved there would be many more people come to buy, and many more farmers who would be willing to participate. They could sell more produce at no greater expense and they could keep what they have to sell in better condition. Many believe that it would be advisable to prorate a tax on each free-marketer for the upkeep of a better place, if the city will not furnish it.

In addition, Mr. Newman makes the following comment regarding certain individual cases:

C. B.

This man lives on Upper Stockton road, nine miles from Sacramento. His testimony is very interesting. He came to town one Saturday—a month ago—with fifteen crates of figs and three lugboxes of grapes. He went to ten different grocery stores, and in each one he was told that they had all they required and could not help him. At 10:30 he came down to the free market, backed his wagon up and began to sell. He sold the figs for 15 cents a basket, and the grapes for 5 cents a pound, and by 12 o'clock had sold everything he had. His prices were as low as this because of the lateness of the hour.

Mr. and Mrs. C.:

The C. place is just being planted. Mrs. C. does the marketing. In questioning her I realized that a farmer's services are hard to estimate. In general, the woman gives her services. The point to be remembered in all these records is that cash is necessary, and that when there is no other work for a man or woman to do the time spent on the free market is negligible as an expense item. The C. place and the E. place are good illustrations of "new starts" in small farming. As Mr. E. said, "If it had not been for the free market I would have been unable to get on my feet with the small capital I had. The stores will not take small quantities of produce, and these on the free market have paid the installments on my mortgage."

Mrs. P. S.:

Mrs. S. is the pioneer of the free market in Sacramento. She is a woman of considerable intelligence. The family is in this condition because of financial reverses. The following is a short report of her experience at Florin:

"The 160 acres on which we settled was subdivided into small tracts. Today a Mr. S. and myself are the only original holders left. The others were forced to give up and move away because they were unable to sell their crops and make expenses until the fruit trees which they had planted came into bearing. I was only able to keep my head above water by selling strawberries. The stores gave us very poor prices until the free market started. Now they will give us (some of the stores) better prices. Formerly Mr. D., a groceryman of Sacramento, used to buy all my peaches and I only sold my eggs and poultry at the free market. When he heard I patronized the free market he refused to take another peach from me.

"There is another point about the free market which should not be overlooked, and that is that many city people come out and sell flowers, figs, small baskets of grapes, etc. This gives them a little spending money at no cost to anyone. It helps them out and gives flowers and fruit to those who wish them. Personally, I do not care for the peddlers, and I think that sometimes their presence is injurious to the market, but I must say this in justice to them, that if it had not been for the peddlers during the past season the market would long ago have been discontinued."

Mr. and Mrs. T.:

It seems that these people have not had great success in their business life. They have just recently started on the farm and are doing everything in their power to get on their feet. As Mrs. T. said, scarcely anything on the place goes to waste. For example, she has three black walnut trees from which she obtains three or four hundred pounds of nuts. The small-sized nuts she sells for 2 cents per pound, the larger ones for 4 cents. The hulls she places in a hogshead and soaks in water for six weeks. This colored liquid she sells to the hair dressers for 25 cents a gallon. She usually obtains about 50 gallons.

FRESNO FREE MARKET.

The public market in the city of Fresno is one of the best-known in the state, and has been successfully conducted so long that it has almost come to be regarded as a model. In order that an unbiased report on its operations and results might be secured, the services of Mr. O. W. Newman, assistant in the office of the State Commission of Horticulture, were secured, for the purpose of making a careful survey. The following statement of his conclusions, based on interviews with the Market Master at Fresno, the producers and the consumers, is as follows:

At the present time there are only a few farmers participating in the free market. Tuesday, November 21, 1916, there were 40 stands and only 12 of them were producers; the remainder were what are known as traders. Most of these producers

were visited personally and their statements taken. The statement of one trader was also taken, and personal interviews were held with several others.

The producer.

The producers having stands on the free market are required to pay a license of 10 cents a day. As a general rule the same conditions exist in Fresno that exist in Sacramento, with the exception that in Fresno there is much keener competition among sellers. This competition arises from the fact that there are many traders on the market who *must* sell to get their money out. Several of the farmers or producers are specializing on a few commodities rather than selling the miscellaneous assortment found on the Sacramento market. This has helped their trade a good deal. Specialization is what one should expect, and what ought to happen if the free market is handled correctly.

There is a noticeable lack of those by-products of the farm which were found in Sacramento. Conversation with Mr. Bettis, the Market Master, brought out the fact that these by-products are sold more generally in the spring, but I believe that the presence of the traders has had a tendency to banish them from the free market. This is important, for the sale of these commodities represents pure gain to the farmer.

I questioned many of the farmers, as well as traders, as to their views of a Farmers' Commission House, or General Producers' Distributing Center, where they could come and deliver their goods, and receive prices corresponding to what the wholesaler charges the retailer. Most of the producers thought this a good idea and stated they would be glad to organize. Most of the traders did not favor such a plan.

The trader.

The trader is required to pay a license of \$5 a month. He is doing the bulk of the business of the free market of Fresno. It is a good business and he finds the market a very handy thing. From my investigation of the trader I should say that his business is legitimate, and if properly conducted and regulated should be a valuable help to the consumer. At the present time, however, this last condition does not exist; the prices charged are essentially those of the stores. There is a competition among the traders which is demoralizing to a market. There is also a condition of suspicion which is not healthful; for instance, I tried three or four people before I could get anyone to talk to me. They were suspicious and would not tell what their real returns were. Would it not, therefore, seem that there is truth in the contention that their prices are too high? That under present conditions there is reason for the stores to find fault, especially since these traders sell meat, just as the meat market, and fruit by the packed boxes, etc.

I put the question of regulations to nearly every one, and all agreed that there should be some method of posting prices on the market—that prices should not be as high as they are, neither should they be too low. Many of the traders at present are charging what the traffic will bear.

From the standpoint of the consumer the Fresno Free Market is a near-failure. Take for illustration the following: Turkeys, live, 22 and 24 cents, retail 20 cents; eggs, 50 cents, retail, 50 cents; butter, 40 cents, retail, 40 cents; fruit and vegetables, and some other commodities bought, are somewhat fresher than those usually found in the stores. These prices are those charged by the traders; the producers' prices are slightly lower.

Conclusions.

The Free Market of Fresno, at certain seasons, especially in the spring, is a valuable outlet for the farmers. Observation of this market confirms my belief that the market does benefit the farmers, that they find it a better means of reaching the consumer, and that they are making more money through this channel than they could through ordinary channels.

There should be some means of regulating traders and producers on the market. In my estimation this market has lost the essential features of the original free

market. However, this much must be said for the traders; they tide over the slack period and keep the market running until spring crops come in, when the farmers return.

The Free Market of Fresno is essentially different from the Sacramento Free Market. I would infer from this that Fresno is not the same type of farming community as Sacramento, and that the farmers who sell on the market are widely scattered.

The returns made by the producers are about the same as found in Sacramento, possibly a little higher. The returns made by the traders are slightly inflated. Questions, however, confirmed the fact that they were making very good wages on their investment.

FREE PUBLIC MARKETS.

With a view to learning just what has been accomplished in other states along the line of bringing the producer and the consumer together in what is commonly known as "free markets," I addressed the following letter, on October 5th, to the proper official in each of the states which has established a marketing bureau analogous to the State Commission Market of California:

"Dear Sir:

"I am at present making an investigation of the free markets that are in operation in California, with a view to determining to what extent they are meeting with success, in bringing the producer and the consumer together.

"I shall appreciate it if you will be good enough to advise me what efforts along that line have been made in your state. If it is possible for you to send me any reports of investigations into free markets, made by your office, they will be of great service to me."

The replies to this letter form an interesting contribution to the subject of free markets, and I, therefore, give below an epitome of each:

Missouri, J. Robt. Hall, secretary Missouri Farmers' Exchange, Columbia.

"We have really not done any work of just the nature you inquire about. Our work has all been done among farmers themselves; that is, we buy and sell purebred livestock, seed and feed in the raw state, which only passes between members and outsiders."

New Mexico, Ruth F. Brownlee, secretary to the president, New Mexico College of Agriculture and Mechanic Arts, State College:

"I regret to state that we have no information to give you relative to marketing efforts, but a specialist has been employed, who will take up this work January 1st, next."

Maryland, F. B. Bomberger, dean and professor of political economy, Maryland Agricultural College, College Park:

"I regret to report we have not been able up to this time to undertake this work on a systematized basis. Plans are under consideration, however, which I hope in the near future to put into operation in order that we may secure data upon which to base such a campaign."

Connecticut, Guy C. Smith, Agricultural Economics, Connecticut Agricultural College Extension Service, Storrs:

"* * * There are in Connecticut among the eighteen incorporated cities four which have public markets of one kind or another. * * * I might add that two other cities expressed interest in the matter of establishing such markets.

"No special investigation of free markets operating in the state has been made by this college."

New York, John J. Dillon, Commissioner, Department of Foods and Markets, New York City:

"* * * Our so-called free markets in this state are rather few and far between and have not been conspicuous for any great successes. For the most part they have been extravagant in operation and not altogether satisfactory in any way; but in a few small towns and villages the farmers drive in on certain days and sell their products direct to the consumer, and in that way the consumer gets some advantage at a rather heavy expense and salesmanship to the producer. In some of the larger markets, such as Albany, N. Y., the produce is brought in by the farmers in their own wagons, but sold largely to the tradespeople and very little to the consumer. We have made no investigation of this work."

Idaho, W. G. Scholtz, Director Department of Farm Markets, Boise:

"Still another example of our efforts in community help is the farmers' public market established by the department here in Boise last July, for the benefit of both the producers and consumers in the Boise valley. * * * This first public market venture in the state has been made a big success, putting many thousands of dollars into the pockets of the scores of farmers who have used the market at various times. * * * Nor have the farmers been the only ones to profit through this public market—the consumers have been equally benefited, not only through the opportunity to secure a larger and better selection of fresher and more sanitary produce than before, but also through lower prices on meats, vegetables and fruits than they have ever secured before. The public market has resulted in materially reducing the high cost of living in the capital city, and at the same time the farmers have enjoyed better prices than they were formerly obliged to accept from dealers, at the same time securing a larger outlet for their produce. Plans are under way for the establishment of other public markets the coming season, both in north and south Idaho.

"There are only two farmers' public markets in Idaho, one located here in Boise, and the other one in north Idaho at Coeur d'Alene. The Boise Public Market was established by this department a year ago last summer, and has been very successful. The Coeur d'Alene market was established this summer by this office. It is meeting with success. * * * The state of Idaho has very few towns of sufficient size to support a public market."

Texas, E. W. Cole, Bureau of Markets, State Department of Agriculture, Austin:

"We have what we call a Bureau of Markets, whose duty it is to assist the farmers in finding a satisfactory market for their products, but we have no commission such as you refer to in your letter."

Oregon, Hector Macpherson, Field Agent, Office of Markets and Rural Organization, U. S. Department of Agriculture, Corvallis:

"The only free markets we have in this state are the public markets, which are to some extent self-supporting through stall fees charged the different patrons per day. There has been quite a movement in favor of such public markets within the past two years, and they have doubtless been of considerable benefit to both producer and consumer. * * * The principal saving to the consumer has been in meats. *Poultry and vegetables* are pretty largely marketed, but the difficulty here lies in

the inability of the small farmers to keep up their supply of vegetables and eggs throughout the year. While we consider that the public market, where the right kind of a man can be obtained to manage it, is a considerable factor in placing producer and consumer together, we do not look upon it as a solution for the major portion of our marketing problems. Our largest public market, the one in the city of Portland, does a tremendous business, and has more than doubled the rental value of the city property adjoining the street on which it is held."

Massachusetts, Alexander E. Cance, head of Department of Agricultural Economics, Massachusetts Agricultural College, Amherst:

"Our Massachusetts law requires the setting aside of a place for the purchase and sale of farm products by farmers and consumers in every city with a population of ten thousand or more. This law went into effect in April, 1916. A small number of cities in the state have complied with the spirit of the law, and many others have complied with the letter of it. Inasmuch as comparatively few cities can establish a public market successfully, it is no cause for wonder that the law will not work successfully in all cities. One of these markets, at Newton, Mass., has published a report of its first few months' work, and its activities may be of interest to you."

Mississippi, T. M. Patterson, Cooperative Market Extension, Agricultural College:

"While we have in a general way investigated free markets in our state, we have not any written reports concerning same."

Alabama, Emmet A. Jones, Chief of Bureau, Immigration and Markets Bureau, Montgomery:

"We have made no such investigation."

Kentucky, Charles D. Bohannon, Acting Head of Department of Agricultural Economics and Agricultural Education, Lexington:

"This department has so far been unable to find the time to take up in any serious manner this most interesting problem. It is, however, one which we hope to get at some time this winter."

Nebraska, H. C. Filley, professor in College of Agriculture, Department of Farm Management, Lincoln:

"There is only one city in the state where we have a real public market, and that is Omaha. The gardeners bring their produce down in the early morning. The majority of it is purchased by retail grocers, only a small part being sold directly to consumers. It is a big aid in distribution, not nearly as efficient, I judge, as the public markets in many cities. In Lincoln, for two summers past, a public market has been conducted one day each week, in connection with the boys' and girls' garden club work. The major part of the produce sold by the children has been purchased directly by consumers, although a few grocery firms have purchased no small amounts there upon certain days. Omaha and Lincoln are the only two cities in Nebraska, in so far as I know, where a public market has ever been discussed. I hope that at some future time we will have a real public market in these cities."

Michigan, R. H. Elsworth, Markets Department, Extension Division, Michigan Agricultural College, East Lansing:

"At least three of the public markets in Michigan are successful and are performing functions that need to be performed. These markets are the Eastern and Western markets in Detroit and the Public Market in Grand Rapids. The volume of business handled by each market runs into the thousands of dollars. Each market is patronized by consumers who come with their market baskets upon their arms. But the big buyers on the markets are the hucksters, grocers and wholesale produce houses. A single huckster will buy more than 40 to 60 consumers, and on the

Eastern market in Detroit there are probably in the neighborhood of 200 hucksters each morning. * * * Much of what has been said above regarding the Detroit markets is also true of the Grand Rapids market when the strawberries, peaches and grapes are being marketed. The revenue derived from each of the above markets is more than sufficient to pay the cost of operation. The community as a whole is better because the buying and selling is upon a much larger scale and the price established is a fair indication of the relation between supply and demand.

"There are other Michigan cities having markets. These are Bay City, Saginaw, Lansing, Jackson and Kalamazoo. Each market is a little different from the others, but the revenue from each is insufficient to pay the cost of operation. It is our opinion that it is because the markets are not big enough, i. e., there are not enough buyers and sellers to dominate the situation."

SURVEYS OF EASTERN MARKETS.

Since the great bulk of our California farm and orchard products is reported to be marketed outside of the state, I deemed it of prime importance at the beginning of my service as Market Director to secure first-hand information regarding the sale of California products in the markets of the East, and at the same time to ascertain the probable official attitude of the federal government toward state activity in the business of interstate marketing. I therefore spent December of last year in making these personal investigations.

Briefly, I may say that my conferences in Washington with the secretaries of Agriculture and of Commerce, as well as with the Department of Justice, left me with the assurance that California, acting in good faith, might proceed in its efforts to improve existing marketing methods, even though it should go to the extent of adopting plans that were regarded by some as radical and revolutionary. The attitude of the federal government was expressed by the following statement of the United States Attorney General, as far as it could be expressed in advance of any issue being raised:

DEPARTMENT OF JUSTICE—WASHINGTON, D. C.

January 3, 1916.

HON. HARRIS WEINSTOCK,
California State Market Director,
525 Market Street,
San Francisco, California.

SIR:

I am in receipt of your letter of the 28th ultimo enclosing a copy of an act of the legislature of California, approved June 10, 1915, creating a state commission to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission.

You ask my opinion as to whether the plan provided for by this act, as explained in your letter, would violate the federal antitrust act if carried into effect.

It was long ago found necessary to establish as a rule of practice of this department that in the matter of giving opinions upon questions of law, the Attorney General should adhere strictly to the requirements of sections 354 and 356, Revised

Statutes, which make it his duty to render such opinions to the President and heads of executive departments only, and to the latter only in cases where the questions involved arise in the administration of one of the departments.

Should complaint be subsequently made that the plan violates the federal antitrust law and should the department upon investigation reach the conclusion that the complaint is well founded, you would be advised, of course, before any further action should be taken by the department, in order that the two authorities, federal and state, might confer with a view to removing the conflict.

It is also permissible to add that where parties have entered into a transaction believing in good faith that the transaction is a lawful one, and subsequently upon complaint made the department reaches a different conclusion but is yet satisfied of the good faith and innocent purpose of the parties and can see that there was ground for the view of the law upon which they acted, it has not been and would not be the policy of the department to invoke extreme penalties against them. In such a case the department would consider that the just as well as the quickest way of enforcing the law would be a civil proceeding in which the question involved could be contested or a consent decree entered, according as the defendants desired, or by notice to the parties of the department's conclusion with opportunity to abandon or modify the transaction. The choice as between these two procedures would be determined by the circumstances of the particular case. Of course, as you will recognize, this policy is neither original nor peculiar to the antitrust law, but is the policy of the department and prosecuting authorities generally in the enforcement of all laws.

Very truly yours,

(Signed) T. W. GREGORY,
Attorney General.

Regarding the market surveys made under my direction in New York, Chicago and elsewhere, the summaries given below will show the extent to which inquiries were directed. To me, they proved conclusively that the consumption of California products in the densely populated centers of the East could be greatly increased if our methods of distribution could be so changed that retail prices would be within the reach of the masses. In the congested tenement districts of East Side, New York, for instance, I found that California dried fruits were almost unknown.

CHICAGO MARKET SURVEY.

December, 1915.

The Chicago survey included nine classes, as follows:

- a. 3 first-class grocers.
- b. 3 medium grocers.
- c. 3 department store grocers.
- d. 3 cheap grocers.
- e. 3 tenement district grocers.
- f. 3 high-class fruit dealers.
- g. 3 cheap fruit dealers.
- h. 5 downtown fruit stands.
- i. 5 pushcarts, tenement district.

The results were carefully tabulated and averaged, giving the following results:

Prunes.

| | |
|--------------------------------------|----------|
| Class A—Average price per pound----- | 18 cents |
| Class B—Average price per pound----- | 14 cents |
| Class C—Average price per pound----- | 13 cents |
| Class D—Average price per pound----- | 11 cents |
| Class E—Average price per pound----- | 8 cents |

(It is interesting to note that the investigator found only one grocer in Class E which carries dried prunes or peaches. It was explained that they had no call for these.)

NEW YORK MARKET SURVEY.

December, 1915.

The survey included seven classes of dealers, three or four of the largest and most representative stores of each class being visited. The classification is as follows:

- Class A—High-class grocers.
- Class B—Department stores.
- Class C—Washington Market (city owned).
- Class D—Cheap grocers in tenement districts.
- Class E—Fruit stores, average prices.
- Class F—Pushcarts, East Side and Harlem districts.
- Class G—Open municipal markets.

The table on the next page shows the results of the investigation.

Comparative Table of Average Prices of California Food Products Found in Retail.

| Article | Class "A" | Class "B" | Class "C" | Class "D" | Class "E" | Class "F" | Class "G" |
|--------------------------------------|-----------|----------------|--------------|------------|------------------|-----------|-----------|
| Asparagus, canned—per can. | \$.27 4/9 | \$.25 9/16 | | | | | |
| Asparagus tips, canned—per can. | .21 1/2 | .20 1/2 | | \$.17 | | | |
| Apricots, evaporated—per lb. | .20 | .18 4/5 | | .15 1/2 | | | |
| Cherries, evaporated—per lb. | .35 | .34 | | | | | |
| Peaches, evaporated—per lb. | .18 4/5 | .19 4/7 | | .11 1/3 | | | |
| Pears, evaporated—per lb. | .20 1/2 | .21 1/4 | | | | | |
| Prunes, evaporated—per lb. | .15 4/11 | .08 | \$.14 3/4 | .11 1/4 | | | |
| Raisins, evaporated—per lb. | .14 | .16 | .12 plus | .17 2/9 | | | |
| Apricots, canned—No. 2 1/2 can. | .23 1/8 | .18 2/5 | | | | | |
| Apricots, canned—No. 3 can. | .28 3/8 | .27 1/3 | | | | | |
| Cherries, canned—No. 2 1/2 can. | .28 1/6 | .26 8/9 | | | | | |
| Cherries, canned—No. 3 can. | .34 1/3 | .33 1/2 | | | | | |
| Cherries, canned—No. 2 can. | | .20 | | .21 1/2 | | | |
| Egg plums, canned—No. 2 1/2 can. | .18 1/2 | .17 2/3 | | | | | |
| Egg plums, canned—No. 3 can. | .24 1/5 | .23 2/3 | | | | | |
| Green Gages, canned—No. 2 1/2 can. | .19 2/5 | .18 1/3 | | | | | |
| Peaches, canned—No. 2 1/2 can. | .25 | .23 2/3 | | | | | |
| Peaches, canned—No. 3 can. | .22 7/11 | .19 8/11 | | .16 2/3 | | | |
| Pears, canned—No. 2 1/2 can. | .29 1/2 | .29 | | | | | |
| Pears, canned—No. 3 can. | .25 3/7 | .24 1/3 | | .16 1/2 | | | |
| Walnuts—per lb. | .30 1/3 | .23 1/2 | | | | | |
| Almonds, paper shell—per lb. | .27 4/5 | .24 | .24 1/4 | | \$.25 | | \$.16 |
| Almonds, hard shell—per lb. | .28 1/3 | .25 3/4 | .22 | | .30 | \$.20 | |
| Oranges, navel, size 100 per doz. | .75 | | .18 | | .25 | | |
| Oranges, navel, size 126—per doz. | .61 1/2 | About the same | Size 96, .65 | | Size 100, 1.00 | | |
| Oranges, navel, size 150—per doz. | .25 | Class "A" | | | Size 126, 57 2/3 | | |
| Oranges, Valencia, size 100—per doz. | 1.00 | | | | Size 150, .50 | .60 | .60 |
| Oranges, Valencia, size 126—per doz. | .85 | | | | Size 176, .30 | .46 | .45 |
| Oranges, Valencia, size 150—per doz. | .60 | | | | Size 200, 225 | Foot 20 | .20 |
| Prunes, 29-34 per lb. | .20 | .25 | .16 | | | | |
| Prunes, 34-40 per lb. | .15 1/2 | .18 | | | | | |
| Prunes, 40-50 per lb. | .13 2/3 | | .13 1/2 | 2 lbs., 25 | | | |
| Prunes, 50-60 per lb. | .12 | .14 1/4 | | | | | |
| Prunes, 60-70 per lb. | .11 | .12 1/2 | | | | | |
| Prunes, 70-80 per lb. | | .10 | | | | | |
| Prunes, 80-100—per lb. | | .08 1/2 | | | | | |

FINANCES.

By the exercise of rigid economy in office management, which has often handicapped the Market Director's activities and usefulness, it has been possible month by month to keep within the appropriation set apart by the legislature for the establishment and maintenance of the State Commission Market. The expenditures for the eleven and one-half months ending October 31, 1916, are as follows:

STATE COMMISSION MARKET.

Statement of Receipts, Disbursements and Balances on Account of the Sixty-seventh and Sixty-eighth Fiscal Years, as of October 31, 1916.

| | |
|---|-------------|
| State Commission Market Fund (Chapter 713, 1915)..... | \$25,000 00 |
| Added receipts applying on sixty-seventh fiscal year (commissions earned) | 70 |
| Appropriation and receipts | \$25,000 70 |
| Disbursements sixty-seventh fiscal year..... | \$9,314 67 |
| Disbursements sixty-eighth fiscal year..... | 3,012 45 |
| Total | \$12,327 12 |
| Balance | \$12,673 58 |

STATE COMMISSION MARKET FUND.

Report of Finances of the State Commission Market November 11, 1915, to October 31, 1916.

Salaries.

| | |
|---|------------|
| Stenographers | \$2,472 03 |
| Extra clerical help | 281 05 |
| Messenger | 180 64 |
| Special investigators | 230 00 |
| Miscellaneous (Statistician, \$1,200) | 1,345 55 |
| Traveling Expenses. | |
| Director | 1,271 40 |
| Secretary | 190 89 |
| Employees | 90 25 |
| Office supplies | 345 59 |
| Printing | 708 79 |
| Multigraphing and addressing | 454 40 |
| Office rent | 740 65 |
| Freight and express | 35 32 |
| Postage | 959 57 |
| Telephone and telegraph | 563 48 |
| Press clippings | 46 27 |
| Subscriptions: Newspapers, books, etc. | 99 57 |
| Water and towel service | 26 25 |
| Miscellaneous | 44 60 |
| Office furniture and equipment | 1,750 23 |
| Sacramento Office. | |
| Services | 450 00 |
| Office supplies | 2 05 |
| General expense | 1 74 |
| Furniture and equipment | 86 80 |

Total

\$12,327 12

RECOMMENDATIONS.

I have the honor to request that Your Excellency will transmit to the legislature the following recommendations: -

(1) That the sum of \$32,520 be appropriated for the maintenance of the State Commission Market for the two fiscal years next ensuing.

(2) That the Fish Exchange Bill (see Appendix C) be enacted into law.

(3) That the proposed amendments (Appendix E) be enacted so that the present State Market Law (Appendix D) will read substantially in accordance with Appendix F.

HARRIS WEINSTOCK,
State Market Director.

APPENDICES.

APPENDIX "A."

HARRIS WEINSTOCK
Market Director

EDGAR ALLEN FORBES
Secretary

STATE COMMISSION MARKET OF CALIFORNIA.

606 UNDERWOOD BUILDING

525 Market Street

SAN FRANCISCO, December 1, 1915.

To the People of California:

To me, as State Market Director, has been assigned the task of working out some scientific system of selling which will enable the producer to sell at a fair price everything which he can raise, and which will at the same time enable the consumer to purchase it for less than he now pays. I think you will agree with me that this is, in the language of the Greek poet, "some job."

"It is a condition and not a theory" that confronts the California grower to-day. He can grow almost anything and in almost unlimited quantities, but he can not in many instances sell at a living price, and in some cases he must witness the product of his labor rotting on the ground.

In the course of the hearings of the Rural Credits Commission numerous growers and farmers as witnesses have pointed out that, however fruitful the soil, however scientific the husbandry, however abundant the crops, it is all of no avail if the product can not be sold at a living price. This is a self-evident proposition. Successful marketing is the key to the arch with a farmer. To be able to market scientifically requires an unusual combination of qualities and of fortuitous circumstances. The farmer needs to be not only a thorough cultivator of the soil, but he must be a good salesman as well. In other words, he must know how to sell, when to sell and where to sell. Not all farmers are good salesmen, not any more than all salesmen are good farmers. It is not difficult to find good salesmen or good farmers; the problem is how to find a good farmer and a good salesman rolled into one. And even though the farmer be a good salesman, he alone can at best do little along the lines of successfully marketing his product.

Let me illustrate this by a concrete case. Here is a scientific farmer who this year has raised the finest crop of peaches in the world, suitable to be dried. He has processed these fine peaches in the most scientific way. To do all this has cost him nearly five cents a pound. To make any profit whatever, he must be able to dispose of his product for more than five cents a pound; and yet, no matter how clever he may be as a salesman, when he attempts at this time to market his peaches, he finds that the most he can get for them is two and a fraction cents a pound, just about one-half his cost—and this despite the fact that similar dried peaches are to-day being retailed (say in the city of New York) at twenty-five cents a pound. Surely there must be something wrong when, regardless of the producer's skill as a cultivator, and his cleverness as a salesman and regardless of the fact that the Eastern consumer is paying a price equivalent to five times its cost of production, the producer is able to get out of it only about one-half of his cost.

Because the present situation calls for new methods of marketing, the last legislature passed an act known as the "State Commission Market Act," with a view of seeking to remedy the existing evils. The Governor of California has honored me with the appointment as State Market Director, and it now becomes my province to carry out the aims and purposes of the legislative enactment. I think I keenly realize the grave responsibility that I have assumed and appreciate that the work to be accomplished is along the line of the heroics. Yet the fact that there is an opportunity to render an important service to the producers of the state, and that in assuming this task that I am doing something to promote the well-being of the commonwealth, has led me to undertake it.

The provisions of the bill give to the Market Director very wide powers. It authorizes him, in his discretion, to establish and maintain in any and all cities and towns in the state, suitable depots or stations to be used as commission markets for the receiving, care, sale and distribution of the agricultural, fishery, dairy and farm products of California. It gives all producers and manufacturers of such products the right to consign such products to the State Commission Market, for sale and distribution. It gives the Market Director power to rent such lands as may be needed and to rent or purchase all equipment necessary for the carrying on of such business. He is also expected to use every practicable means to keep the producers informed of the supply and demand and at what market their products can best be handled.

To carry out this broad and comprehensive scheme, the legislature has appropriated (as a mere beginning, I take it) the sum of \$25,000. Of course, if the Market Director were to attempt to carry out the full letter of the law, in the hope of handling the \$200,000,000 or more of the farm products of California, it would require on the part of the state, for warehouses alone, an investment of millions.

Speaking for myself, I should not deem it expedient for the state needlessly to make such investment, and to involve itself in all the burdens and responsibilities inseparable from wholesaling and retailing farm products. The time may come when this may be necessary, but, in my opinion, the time is not at hand. The hope that I have in mind, along the lines of remedying existing marketing evils, lies among other lines, in the utilization on the one hand of existing machinery for the distribution of farm products and, on the other hand, to aiding and directing the producers scientifically to do their own marketing. The state will have performed its highest function, in my opinion, when it will have aided the producer to help himself.

It would seem to me that in all the world there is no body of farmers who, on the average, surpass the farmers of California in intelligence and in enterprise. It is simply necessary for the California farmer to get hold of the "know-how" to produce the highest possible marketing results. This "know-how," in my opinion, can best be acquired by collective action on the part of the California producers. Nowhere else on the globe can there be found more pronounced object lessons than right within the boundaries of our own commonwealth. What better object lesson is needed to show the evil results of a lack of organization and the beneficent results of organization than is presented by the California raisin industry? You are all familiar with the conditions that prevailed in the raisin industry only a few brief years ago. It cost fully as much then as it does now to produce a pound of raisins, and yet the grower was obliged to sell at as low as one and a half cents a pound, which, of course, meant ultimate ruin. By perfecting a selling organization, he is now receiving between three and four cents a pound, which means a living price and all that a living price spells.

The California citrus industry presents perhaps the most remarkable object lesson of the benefits of collective action. It is true that, despite collective action on the part of the citrus growers, the industry (for the last two or three years back) as a unit has shown little or no profit, for reasons that I will later explain. Just imagine the disastrous results that would follow if the Citrus Association were to dissolve and each grower would be thrown upon his individual resources to market his product. It would simply mean within a very brief period practically a hopeless ruin for the entire industry. The point of failure in the marketing of the California citrus crop is not because of collective action, but because there is not enough collective action, and because certain evils have crept into the system of Eastern marketing of the citrus fruits that can be remedied, I hope. The citrus crop of California now represents about 50,000 carloads a year. I am told that 60 per cent of this is handled by the Growers' Association. This represents an output of 30,000 cars, equivalent, I take it, to a business of about thirty million dollars a year—in itself a colossal business undertaking. And yet, while this business is enormous in its proportions, it is not large enough to be able scientifically to regulate the distribution. However well laid may be the plans of those directing the distribution of the 60 per cent of crop, the disorganized state of the remaining 40 per cent is enough to defeat

these well-laid plans, thus more or less demoralizing the returns for the whole 100 per cent.

Furthermore, the testimony given in our public hearings points out that the serious weak spot in the situation lies in a system of marketing so-called tentative f. o. b. sales at what are known as "nonauction" selling points. In numerous instances, these sales are repudiated by the buyers at the Eastern end, who make impossible offers that must be rejected. The orange-laden cars are then diverted to what are known as the "auction" selling points, thus overloading the auction markets, breaking down the auction prices, and, in turn, making killing prices for the rest of the marketing territory.

There must be a cure for this weak spot, and that cure lies in collective action—not alone on the part of the producers of the 60 per cent but on the part of the producers of the 100 per cent. It should be one of the aims of the Market Director to bring about such collective action on the part of the 100 per cent of the producers, and to this end I now dedicate myself. Even though such result may be unattainable, it is certainly worthy of most earnest effort, because the success of such effort means the salvation of the industry.

There are two distinct markets for the farm products of California: the market in California, which may well be called the "home" market; and the market outside of California, which may be called the "Eastern" market. It so happens that the records show that approximately the home market consumes only about 5 per cent of the farm products of the state, the remaining 95 per cent being consumed outside of the state. It must, therefore, be plain that the situation which should command first attention is the Eastern market; since it is not possible for any one Market Director to cover all the territory for all the products as speedily as all the producers would like to have it covered, it is evident that a great deal of patience and forbearance will have to be exercised on the part of many of the producers, until their time shall have arrived. It is my intention to concentrate upon such products as are chiefly marketed in the East that most need attention—such, for example, as the dried peach product, the olive product and the citrus products. After carefully surveying the ground and after thoroughly familiarizing myself with Eastern marketing conditions (which I am now engaged in doing), I shall be better able intelligently to decide upon which product first to concentrate.

Singly and alone I can, of course, hope to do very little. My chief success must come from winning and holding the earnest and hearty cooperation of the producers and distributors; without their support, failure is inevitable; with their support wonders can be accomplished. The present is the first Market Commission created in California and I am the first Market Director ever appointed in California. I have no precedents to guide me. The work right from the first hour must be creative and constructive in character. I doubtless shall make my fullest share of mistakes, but I am sure that my friends will regard them as mistakes of the head and not of the heart, and I am also sure that I will earnestly endeavor to avoid repeating the same mistakes. One of the avenues from which I hope to obtain much support and much aid is along the lines of an Advisory Board. This Advisory Board, as the situation now looks to me, will be composed of fifteen directors of the California Development Board, with its group of merchants, bankers, manufacturers and transportation experts, to which may be added an equal number of representatives of the organized producers of the state, from which joint group a committee may be created to deal with each separate phase of the problem as an aid and as advisors on the marketing commission.

Undertaking this task as I do, with an open mind, I shall heartily welcome all hints and suggestions, no matter how humble may be the source from whence they come. I know that much will be expected from the Market Director; I know that I myself have established for him very high standards. If I can only in a remote way approximate the expectations of the producers of the state and the standard which I have established for myself, I shall feel that my work will not have been altogether a failure.

And now, as I go to the task assigned me, I shall give to it the best that is in me. All that the years of my business training have taught me, all that I have learned in many kinds of public service, and all of the ideals which have guided me in both private and public life, are hereby dedicated to this service. All that I ask in return is some small recognition of the simple fact that I am trying to render an exceptionally difficult service, and that I shall need the forbearance and the support of all producers, distributors and consumers who realize what the success of this new State Commission Market can be made to mean to the entire state.

HARRIS WEINSTOCK,
State Market Director.

APPENDIX "B."

POULTRYMEN'S SUBSCRIPTION AGREEMENT.

Whereas, The subscribers hereto propose to organize a corporation under the laws of the state of California for the purpose of promoting and fostering the business of raising poultry and marketing eggs and poultry in the state of California; and

Whereas, to that end it is proposed that such corporation shall be empowered among other things to buy, preserve, and sell eggs, poultry and supplies both for its own account and on commission for others, and to contract accordingly; to acquire, buy, lease and operate warehouses wherever necessary or expedient in order to store or dispose of eggs and poultry and supplies; to purchase, acquire, own, hold, lease and control real and personal property necessary for the transaction of the business of the corporation; to lend money upon and to negotiate loans upon eggs, poultry and supplies, and to establish agencies to carry on the general purposes of the corporation; now, therefore,

We, the undersigned, in consideration of the premises and of our mutual undertakings, do hereby agree as follows:

1. That a corporation to be known as the Poultry Producers of Central California, Inc., shall be organized under the laws of the state of California, for the purposes above stated, with a capital stock of two hundred and fifty thousand dollars (\$250,000) divided into twenty-five thousand shares of a par value of ten dollars (\$10) each; said corporation shall have a board of eleven (11) directors and shall have its office and principal place of business at San Francisco, California.

2. That we subscribe for the number of shares of capital stock set opposite our respective names, and that when shares of the stock to the total par value of ten thousand dollars (\$10,000) shall have been subscribed, we will pay therefor at par in gold coin of the United States.

It is further understood and agreed that we and each of us will purchase and we do hereby subscribe to and agree to purchase said shares of such stock at the rate of one share for every thousand hens or a majority fraction of a thousand hens owned by each subscriber, the minimum subscription in any event being one share.

The board of directors of the corporation may sell shares of the stock of the corporation at the reasonable value thereof and in accordance with the provisions of this agreement and the contract attached hereto, but no stock shall be sold except to poultry producers.

No stockholder shall sell or dispose of any of his shares of said stock unless he has first offered the same for sale to the secretary of the corporation, to be purchased by the corporation at the book value of said shares, as indicated at the date of such offer by the records of the corporation. If the corporation refuses or declines in writing to purchase the said shares of stock at such price, then the stockholder shall be free to sell the said shares to any person, at his discretion. If the corporation desires to purchase at said price, the proper officers thereof shall be duly authorized to purchase the same. And in any event, at any time, the corporation shall have the express right and privilege to purchase any or all of the shares held by any stock-

holder of the corporation at the current book value of the said shares and each subscriber hereby agrees to sell any or all of his shares to the corporation at the said price, upon demand in writing so to do. These provisions shall be printed on the face of every certificate of stock.

All these provisions are subject to the approval of the Commissioner of Corporations of the state of California and may be amended or modified at his suggestion to carry out the general purposes and plans hereof without affecting any obligation or agreement hereunder.

3. When bona fide subscriptions to the capital stock of said corporation to the amount of ten thousand dollars (\$10,000) of stock shall have been procured, subject to conditions hereinafter stated, the Market Director of the state of California shall notify all the subscribers and this agreement shall thereupon go into full force and effect and the corporation shall thereupon be immediately organized by the subscribers.

The corporation shall have eleven (11) directors who shall be selected annually from among the stockholders, subject to certain qualifications at the time of such selection and subject to removal as provided by law.

One director shall be a poultry producer in the Sacramento Valley District;

One director shall be a poultry producer in the San Joaquin Valley District;

One director shall be a poultry producer in the Santa Cruz District;

One director shall be a poultry producer in the Alameda County District;

One director shall be a poultry producer in the Santa Clara and San Mateo Counties District;

Five directors shall be poultry producers in the Sonoma County District;

One director shall be proposed by the Market Director of the state of California.

These provisions shall be included in the by-laws of the corporation, subject to amendment only after special notice to all stockholders.

The directors shall elect an executive committee of five members, which shall be responsible for the active management of the affairs of the corporation, subject to the general direction and supervision of the board of directors, and the director proposed by the State Market Director shall be a member of such committee.

4. Each of the subscribers agrees to advance at the time of making the subscription, for the purposes of organization hereunder, an amount equal to twenty-five (25) per cent of the total amount of the respective subscriptions; in the event of the completion of the organization, said payment of twenty-five (25) per cent shall be credited to the payment on capital stock as hereinabove set forth.

Said advance shall be payable immediately to the Anglo-California Trust Company as trustee for all of the subscribers hereto and it shall be empowered to expend such sums as may be considered necessary by the organization committee, acting for all of the subscribers hereto, and shall account for all expenditures hereunder to the Market Director of the state of California and to the subscribers in the event that organization is not completed, and shall thereupon return all unexpended funds; and in the event of completion, it shall so account to the board of directors of the corporation and pay over the unexpended balance to the said board.

5. The board of directors of the corporation shall foster and encourage the formation of local associations of poultry producers in each district, each to include the owners of at least 5,000 hens, to aid in the general purposes hereof as set forth in the preamble.

6. It is expressly understood and agreed that this instrument is one of a series identical in terms herewith and intended to be circulated for subscription concurrently with this instrument, and all such instruments shall be deemed to be one contract for the purpose of binding the subscribers hereto, to the same extent as if all of said subscribers had signed only one of said instruments.

7. It is further understood and agreed that all of the subscribers hereto do agree to execute at the proper time, to be determined by the directors of the corporation, agreements with the corporation for the sale of their products by the said corporation, in terms substantially the same as those set forth in the form of agreements hereto attached.

8. It is further understood and agreed that if by January 1, 1917, bona fide subscriptions to the stock in said corporation to the total amount of ten thousand dollars (\$10,000) shall not have been procured, then the obligations of the subscribers hereto shall cease and terminate and all expenditures necessarily or properly incurred hereunder in preliminary work shall be prorated between the then subscribers in their respective proportions and the balance so divided and returned.

In witness whereof, we have hereunto set our hands and designated the number of shares subscribed for us respectively.

| Name | P. O. Address | Number of shares |
|-------|---------------|------------------|
| ----- | ----- | ----- |
| ----- | ----- | ----- |

PRODUCE SALE AGREEMENT.

This Agreement, made this _____ day of _____, 191____, between the Poultry Producers of Central California, Inc., a California corporation, with its office at San Francisco, California, hereinafter called the buyer, first party; and _____, of _____, in said state, hereinafter called the seller, second party;

Witnesseth:

In consideration of the mutual obligations herein and of the agreements by each of the parties hereto to be performed and in pursuance of a preliminary agreement heretofore subscribed by the seller:

1. The buyer agrees to purchase and market and the seller agrees to sell and to deliver such of the eggs and the poultry produced by him during the years 1917, 1918 and 1919, on the following-described land _____ at _____, in _____ County, California, as he intends to sell or market in any event, under the conditions hereinafter set forth, to the buyer, for the current market price to be secured by the buyer as hereinafter mentioned.

2. The buyer agrees to use its best efforts to resell said eggs and poultry, together with similar products from other sellers, at the best prices obtainable under market conditions and to pay over the amounts received thereby as payment in full, to the sellers named in contracts similar to this contract according to the quantities of eggs and poultry delivered by the respective sellers, after deducting therefrom the seller's cost of transportation and an amount for selling costs to be determined by the buyer, in its sole and exclusive discretion, not to exceed two cents per dozen for eggs, and fifty cents per dozen for poultry. In addition, the buyer shall deduct one cent per dozen for eggs sold and ten cents per dozen for poultry sold, to be credited and applied on the account of the respective seller toward the purchase of additional shares of capital stock of the buyer at par and such additional shares shall be delivered to the respective purchasers as and when each is fully paid for; but no such deduction shall be made after the total authorized capital stock has been fully paid for.

3. The eggs delivered by the seller hereunder shall be mingled and sold with other eggs of like grade and like quality purchased by the buyer under contracts similar to this contract and the amount to be paid to the seller weekly, as herein stated, shall be based on the proportional value in eggs delivered by him to the buyer, out of the total weekly receipts of moneys from the sale or other disposition of the eggs, according to quality and grade, less the deductions hereinabove mentioned.

The buyer shall exercise its discretion in determining what proportion, if any, of the receipts of eggs shall be warehoused by it to be held for a better market, and in the event that the buyer warehouses a portion or all of such eggs he shall borrow the largest possible amount of money thereon and shall so distribute among the sellers furnishing eggs in that particular week during which such eggs are warehoused their pro rata of the money borrowed by the buyer on the security of such warehoused eggs, which moneys shall be regarded for the purposes of this paragraph as a part of the weekly financial receipts.

Any surplus above such amount borrowed on such warehoused eggs that may accrue in the final sale thereof shall likewise be prorated, when sold, among the sellers furnishing eggs in that particular week during which the said eggs are sold, less the prorated cost of warehousing, as part of the said weekly financial receipts.

The buyer shall be the sole judge of the standard and grade of the eggs and poultry and shall adopt such method of standardization as will be most advantageous in general.

4. All receipts of poultry shall be sold for the account of, and returns made to, the shipper individually, less the deductions hereinabove mentioned.

5. The seller agrees that all eggs and poultry delivered hereunder shall be free from damage of any kind and in good marketable and merchantable condition, and shall be delivered to the buyer at _____ in an estimated quantity of _____ dozen eggs and _____ dozen poultry per _____.

6. The seller shall have free right to use or sell eggs for hatching, and hens or pullets for increasing or renewing the flocks and cockerels and cocks for breeding.

7. This agreement shall be binding upon the seller as long as he is the owner or controller of the said land and he shall be obligated by all the terms hereof for any eggs and poultry produced for him thereon, whether he raises the same directly or lets or leases the land or in any way exercises ownership or control or has the legal right to so exercise ownership or control of the land or its products, during the term of this contract.

8. Inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the buyer should the seller fail to deliver to the buyer the eggs and poultry herein agreed to be delivered, the seller hereby agrees to pay to the buyer five cents for each dozen eggs and one dollar for each dozen commercial poultry sold, consigned or marketed by or for him and so undelivered to the buyer, as liquidated damages for the breach of this contract in that regard.

9. In the event that the buyer fails to secure by January 1, 1917, contracts similar in terms to this contract from the owners of at least one million hens, this contract shall be null and void and no obligations shall be enforceable hereunder. But if sufficient contracts are secured before such date, notice thereof shall be mailed to the seller, and this and all similar contracts shall then be in full force and effect.

10. In the event that the buyer, in the exercise of its contractual rights, purchases all of the capital stock of the buyer owned by the seller, thereupon the seller and the buyer shall be released and relieved from any and all obligations under this agreement which may exist after the date of such purchase.

In witness whereof, the parties have executed this contract the day and year first above written.

(Buyer) POULTRY PRODUCERS OF CENTRAL CALIFORNIA, INC.

By _____

(Seller) _____

(Seller's Address) _____

APPENDIX "C."

PROPOSED FISH EXCHANGE BILL.

An act to empower the state market director of California to regulate and control the business of buying and selling fresh fish; to regulate the destruction of food fish; to create a state fish exchange; to license those engaged in marketing fish; to create a state fish exchange fund; to provide penalties for violations of this act; to investigate and report on the fish industry; and to promote the sale of fish.

The people of the state of California do enact as follows:

SECTION 1. This act shall be known as the "State Fish Exchange Act."

SEC. 2. *Purpose.* It is hereby declared that it is the purpose of this act to bring about an increased consumption of fresh fish by the people of California, to enable them to obtain the same at reasonable prices, and to empower the state market director to regulate and control the business of buying and selling fresh fish, to regulate the destruction of food fish, to create a state fish exchange, to license those engaged in marketing fresh fish, to create a state fish exchange fund, to provide penalties for violations of this act, to investigate and report on the fish industry, and to promote the sale of fish.

SEC. 3. *Definitions.* The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The state market director shall be understood to be himself personally or his duly appointed and authorized representative. A "person" shall be deemed to include individuals, partnerships, associations and corporations or their agents or employees. A "retail dealer," "peddler," or "huckster" is one engaged in the business of selling fresh food fish direct to the consumer. A "wholesale dealer" is one who sells fresh food fish to the trade, and more especially to retail dealers for resale, but not to consumers. A "fishbuyer" or "broker" is one engaged in the business of buying or selling fresh food fish on commission for the owner or consignee or who, without an established place of business, buys from the fishermen for the purpose of reselling to others than the consumer. "Market fishermen" are individuals engaged in the business of catching fish and holding licenses issued by the state fish and game commission authorizing them to do so. When the singular is used the plural is also included; whenever the masculine is used, the feminine and neuter are included.

SEC. 4. *The state to regulate and control disposition of fish.* (a) It is hereby declared that the ownership and title to all fish found in the waters under the jurisdiction of the state not held by private ownership legally acquired are in the state of California; no such fish shall be caught, taken or killed in any manner or at any time except that the person so catching, taking or killing, or having the same in his possession, irrespective of the manner in which they were obtained, shall by such act or possession thereby consent that the title to such fish shall be and remain in the state of California for the purpose of regulating and controlling the use and disposition of same after such catching, taking or killing, except that the title to such fish legally taken shall vest in the person so taking or possessing them, subject to the restrictions and provisions of law. All fish found in the possession of a person within the state of California and being offered for sale shall be presumed to have been taken within waters over which the state has jurisdiction.

(b) It is hereby declared that the right to regulate and control the disposition of fish caught, taken or killed outside the jurisdiction of the state of California and brought into the state to be sold or offered for sale is and remains in the state of California, under its police and public health powers.

SEC. 5. *Jurisdiction of state market director.* The state market director is hereby vested with the jurisdiction to regulate and control the business of buying and selling fresh food fish and the business of buying and selling fresh food fish may not be carried on except in accordance with the provisions of this act.

SEC. 6. Maximum prices. (a) The state market director shall, when and where and for so long as he deems it advisable, establish maximum prices to be paid for food fish of any or all varieties intended for human consumption in its fresh condition.

First—To those engaged in catching them for the market;

Second—To those engaged in the wholesale fish business;

Third—To be paid by the consumer to fish dealers;

and said prices shall be such as will allow, in the judgment of the state market director, a reasonable profit to those engaged in the marketing of such fish.

(b) The state market director may, at his discretion from time to time, make such changes or withdrawals in the prices authorized in section 6 (a), hereof, as he may deem necessary.

(c) It shall be unlawful for any person engaged in the business of marketing fish in a particular locality to charge more than the maximum prices authorized for such locality, as provided in section 6 (a) hereof.

SEC. 7. Destruction and diversion of food fish. It shall be unlawful for any one to destroy or cause to be destroyed any food fish in excess of fifty (50) pounds within one day of twenty-four (24) hours, or to divert or cause to be diverted any food fish to any use other than human consumption, without having first obtained the written consent of the state market director to such destruction or diversion. Permission for such destruction or diversion shall be given only in cases where the applicant establishes to the satisfaction of the state market director that such destruction or diversion is not for the purpose of influencing prices and that reasonable efforts have been made to induce its consumption by the public. Nothing in this section shall be construed to apply to any individual market fisherman who is unable to find a market for his fish and within forty-eight (48) hours of the destruction or diversion of said fish shall report to the state market director the number of pounds and varieties of fish and how disposed of. The deposit in the United States mail of a written statement of said facts, properly addressed to the state market director and stamped shall be accepted as a sufficient report.

SEC. 8. Duty state market director when supply is abnormal. In the event of an abnormal supply of food fish it shall be the duty of the state market director, in his discretion, to induce its consumption by the public, either by reducing prices thereon or by increased publicity, as hereinafter provided.

SEC. 9. License fees. Every person, individual, partnership, association or corporation, other than market fishermen, engaged in the business of buying and selling fish for consumption in its fresh condition, shall pay to the state a semiannual license fee, as follows:

| | |
|---|---------|
| <i>First</i> —All retail dealers, peddlers and hucksters, dealing exclusively in fish | \$10 00 |
| <i>Second</i> —All retail dealers, peddlers and hucksters, handling fish in connection with other retail business | 5 00 |
| <i>Third</i> —All brokers, fishbuyers and fishermen's organizations or agents marketing the catch of such organizations | 50 00 |
| <i>Fourth</i> —All salesmen doing business at places within the state of California other than where their principal is located | 50 00 |
| <i>Fifth</i> —All wholesale dealers—on the basis of their gross receipts from the sale of fresh food fish, as follows: | |
| When gross receipts for six months are not to exceed | |
| \$25,000.00 | 50 00 |
| 25,001.00 to \$50,000.00 | 75 00 |
| 50,001.00 to 100,000.00 | 100 00 |
| 100,001.00 to 200,000.00 | 150 00 |
| 200,001.00 to 300,000.00 | 200 00 |
| more than 300,001.00 | 250 00 |

Fees payable under this paragraph shall be due and payable in advance on January 1st and July 1st of each year and shall be based on applicant's sworn statement as to his gross receipts from the sale of fresh food fish, using the corresponding period of the preceding year as a basis. If applicant did no business during the corresponding period of the preceding year, a license shall be issued upon payment of \$50 and the

execution of a good and satisfactory bond by the applicant to the state market director, guaranteeing the payment of such additional amount as will make the total amount paid equal to the license fee fixed in this paragraph.

Sixth—Wholesale dealers operating more than one wholesale establishment, for each branch house..... \$5 00

SEC. 10. License regulations. All licenses provided for in this act shall be payable in advance and shall terminate with December 31st and June 30th, whichever date may first follow the date of issue. A proportionate charge shall be made, according to the number of months covered, for licenses issued for a portion of the semiannual period, but in no case shall the fee be less than one-half of the semiannual fee, excepting those issued to wholesale dealers as hereinabove provided in section 9 of this act. A separate license shall be required for each place of business from persons owning or operating more than one establishment, except as provided for in section 9 of this act. Persons doing both a wholesale and retail business shall be required to take out both a wholesale and retail license.

SEC. 11. Licenses, issued by and to whom. All licenses provided for in this act shall be issued by the state fish exchange hereinafter provided for, upon written application accompanied by proper fee, and a certificate from the local health authorities, to the effect that the rules and regulations as to equipment and sanitary conditions, established by the state market director, have been complied with.

SEC. 12. Controller to prepare licenses. The state controller shall prepare suitable license blanks, of the form and class designated by the state market director, which same shall purport to license the holder to deal in fish. They shall be numbered consecutively, commencing with one, and shall provide spaces in which to insert the name of the person to whom issued, his business address, and the period covered. The controller shall sign all licenses and deliver them to the state market director who shall be charged for same by the controller.

SEC. 13. Transfer of licenses. Any license may be transferred or assigned by the holder thereof upon payment of a transfer fee of five dollars (\$5.00), provided notice shall be given in writing to the state fish exchange, hereinafter provided for, within ten days of such transfer or assignment. If notice of transfer or assignment be not given, the license shall be invalid for any other person than the original licensee.

SEC. 14. Issuance of duplicate licenses. A duplicate license may be issued by the state fish exchange, hereinafter provided for, of one lost or accidentally destroyed upon payment of an additional fee of five (5) dollars.

SEC. 15. Licenses to be displayed or shown. Every license shall be conspicuously displayed in the place of business for which it is issued, or upon request must be shown by any licensee having no established place of business.

SEC. 16. State fish exchange. To carry out the provisions of this act, there is hereby created a "State Fish Exchange" as a department of the state commission market. The state fish exchange shall have a secretary as its executive officer. The secretary of the state fish exchange shall execute a bond to the people of the state of California in the sum of ten thousand (10,000) dollars for the faithful performance of the duties imposed by this act. The state market director shall have authority, subject to the state civil service act, to appoint all employees of the state fish exchange necessary to carry out the provisions of this act and shall fix their compensation.

SEC. 17. Rules and regulations to be established. The state market director shall establish rules and regulations for the carrying out of the provisions of this act, and shall print and distribute the same to all persons applying therefor without charge.

SEC. 18. State fish exchange fund. There is hereby created a fund to be known as the "State Fish Exchange Fund." On or before the tenth day of each month, the state fish exchange shall remit to the state treasury, all moneys received from license fees collected by said exchange under this act, during the preceding month. All such remittances shall be placed to the credit of the state fish exchange fund and said fund shall be kept separate and apart from other state moneys. All expenses of

whatever nature incurred by said exchange pursuant to the provisions of this act, including the actual and necessary traveling and other expenses of its employees incurred while on business of the exchange and including the premium and charge for bonds given by surety companies for employees of the exchange when required by the state market director, shall be paid from the said fund after being approved by the state market director, upon claims to be audited by the state board of control, except as provided in section 19 of this act.

SEC. 19. *Revolving fund for state fish exchange.* A revolving fund of \$500 shall be established by the board of control for expenses of the state fish exchange, other than salaries, rent and other regular expenses, and the state market director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers therefor, monthly, with the board of control.

SEC. 20. *Commission to state commission market.* A sum equaling five (5) per cent of the gross receipts of the state fish exchange shall be paid out of the state fish exchange fund, monthly, to the credit of the state commission market fund, as a commission on the business of the state fish exchange, for services rendered it by the state commission market.

SEC. 21. *Educational and publicity campaign.* Any surplus over and above the expenses of the state fish exchange in the state fish exchange fund, shall be expended by said exchange, under the direction of the state market director, in an educational and publicity campaign for the purpose of increasing the consumption of fresh food fish, and to enable the public to obtain fish at reasonable prices.

SEC. 22. *Exemptions.* Nothing in this act shall be construed as applying to fish bought or sold for canning, curing or packing or as requiring the payment of license by canners, curers, or packers of fish or by persons buying or selling fish to be canned, cured or packed or to fish caught by others than market fishermen or to fish sold direct by fishermen to private consumers, except that provisions of section 7 as to destruction or diversion of food fish shall be of general application.

SEC. 23. *Penalties.* Any violation of the provisions of this act shall be a misdemeanor punishable by imprisonment for not more than six (6) months or by a fine of not more than five hundred (500) dollars, or by both such fine and imprisonment.

SEC. 24. *Licenses may be suspended or revoked.* Any license issued under the authority of this act may be suspended or revoked by the state market director upon evidence that the holder thereof has been or is a violator of the provisions of this act or of the rules and regulations provided for in section 17 hereof, or of the fish and game laws of the state. Such suspension or revocation shall be made only after due notice of such intention has been given the offender and an opportunity given him to rebut the charge at a formal hearing by the state market director, at which hearing the accused shall be entitled to be represented by attorney.

SEC. 25. *Suits to be brought within six months.* All prosecutions or suits brought under this act shall be commenced within six months from the time such offense is alleged to have been committed.

SEC. 26. *Statements of fish caught, on hand, or sold. May be required.* The state market director may require from any person engaged in marketing fish a written statement as to the amount and varieties of fish caught, on hand, or sold by said person. Failure to furnish such statement on demand shall be good and sufficient grounds for the suspension or revocation of license issued under the provisions of this act.

SEC. 27. *State fish exchange seal.* The state fish exchange shall have a seal bearing the inscription "State Fish Exchange, State of California, Seal," which seal shall be affixed to all instruments, including licenses, issued under the provisions of this act.

SEC. 28. *Investigations.* The state market director may make investigations concerning all matters touching the enforcement and effect of the provisions of this act and the rules and regulations prescribed thereunder. In the course of such investigations he shall have the right to inspect the records of any person engaged in the fish business.

SEC. 29. *Annual report.* The state market director shall make and submit to the Governor, on or before the 1st day of December of each year, a report containing a full and complete account of the transactions and proceedings of the state fish exchange, for the preceding fiscal year, together with such facts, suggestions, and recommendations as may be deemed of value to the people of the state.

SEC. 30. *Constitutionality.* (a) If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

(b) If this act or any section, subsection, sentence, clause or phrase thereof be held unconstitutional as applying to fish caught without the state of California and brought within the state to be marketed herein, the legislature hereby declares that it would have passed this act and each section, subsection, sentence, clause and phrase thereof as applying solely to all fish caught, killed or taken in the waters under the jurisdiction of the state of California.

SEC. 31. *Repeal conflicting legislation.* All acts and parts of acts in conflict with this act are hereby repealed.

APPENDIX "D."

THE PRESENT STATE MARKET LAW.

Assembly Bill No. 318.

CHAPTER 713.

An act to provide for the creation of the state commission market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission, creating the "state commission market fund" and appropriating money therefor.

(Approved June 10, 1915.)

The people of the state of California do enact as follows:

SECTION 1. There is hereby created the state commission market, a state organization to carry on the business of receiving from the producers thereof, the agricultural, fishery, dairy and farm products of the state of California and the selling and disposing of the same on commission, as herein provided.

SEC. 2. The state commission market shall be under the management and control of a governing body of one person, to be known as the state commission market director, who shall be appointed by the Governor of the state of California.

SEC. 3. The commission market director shall establish and maintain in any and all cities and towns in the state where and when the conditions are in his judgment most suitable, depots or stations to be used as commission markets, for the receiving, care, sale and distribution of the agricultural, fishery, dairy and farm products of California, and the director shall establish and maintain an executive office or headquarters at Sacramento.

SEC. 4. The commission market director shall make all necessary rules and regulations, and change the same when necessary, for the operation and carrying on of the state commission market, and shall print the rules for free distribution to all persons who wish to avail themselves of the privileges of the market, whether buyers or sellers, and all buyers and sellers shall conform to such rules and regulations in order to claim any right under this act.

SEC. 5. All producers of agricultural, dairy or farm products, or products manufactured or processed therefrom, or fishery products, which shall have been

grown, raised, produced, processed or manufactured within the state of California, or caught in the territorial waters thereof, shall have the right to consign and deliver such products to the state commission market, at any of its depots or branches, for sale and distribution.

SEC. 6. The state commission market shall receive and care for all produce consigned and delivered to it under the provisions of this act, and shall sell and distribute to dealers, consumers and all buyers such products to the best possible advantage of the producer; and, to the end that the state commission market be self-supporting, shall charge a commission for the handling of all products in an amount which in the judgment of the director is just and reasonable. All settlements with producers shall be made once a month or oftener, and the market shall retain the commission charged.

SEC. 7. The director shall have power to rent, lease, occupy and use all such lands and buildings as may be needed in the business of the market or any of its branches, and may provide the same with a sufficient force of officers, clerks, and other employees, as may be deemed necessary to carry out the provisions of this act, and shall rent or purchase, and use all equipment, appliances, horses, mules, trucks or wagons, and all supplies necessary for the carrying on of said business.

SEC. 8. The market shall have a bureau of correspondence for gathering and disseminating information on all subjects relating to the marketing of California products, and shall issue booklets thereon, and by every practicable means keep the producers informed of the supply and demand and at what market their products can best be handled.

SEC. 9. The term of office of the director shall be four years or until his successor be appointed by the governor, and the annual salary of the director shall be five thousand dollars. The first appointment of director shall be made upon this act going into effect. The legislature, by a two-thirds vote, may remove the director for misconduct, neglect of duty, or incompetency.

SEC. 10. The state commission market shall have a secretary, who shall be appointed by the director and hold office at his pleasure, and shall perform such duties as he may prescribe. The annual salary of the secretary shall be three thousand six hundred dollars.

SEC. 11. The market shall have a seal, bearing the inscription "State Commission Market of California," which seal shall be affixed to all such instruments as the director shall require.

SEC. 12. The salaries of the director and secretary shall be paid to them in the same manner as are the salaries of other state officers.

The salary or compensation of all other persons holding office or employment under the director, at the head office or at any of the branches of the state commission market, shall be fixed by the director and shall be paid monthly from the state commission market fund, as hereinafter provided, and after being approved by the director upon claims therefor to be audited by the state board of control.

All expenses incurred by the director pursuant to the provisions of this act, including actual and necessary traveling expenses, and other disbursements of the director, his officers and employees, incurred while on business of the market, shall be paid from the market fund in the same manner.

SEC. 13. The director shall not engage in any other line of business during his term of office, but shall devote his whole time, attention, and ability to the duties of his office. The director shall not hold any stock or other interest whatsoever in any produce commission business.

SEC. 14. There is hereby created a fund to be known as the "state commission market fund." All fees, charges and costs collected by said market under this act shall be paid into the treasury of the state to the credit of such fund. All appropriations made by this act or any subsequent act for the use of the market, shall be placed to the credit of such fund. All expenses of whatsoever nature, incurred by the market under the provisions of this act, shall be paid from the said fund, after being approved by the director, upon claims therefor to be audited by the board of control.

SEC. 15. There is hereby appropriated out of any money in the state treasury not otherwise appropriated, the sum of twenty-five thousand dollars, to be used by said director in establishing and carrying on the state commission market provided for by this act.

SEC. 16. The director shall make and submit to the governor, on or before the 1st day of December of each year, a report, containing a full and complete account of its transactions and proceedings for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 17. The director, before entering upon the duties of his office, shall make and execute to the people of the state of California an official bond in the sum of fifty thousand dollars, for the faithful performance of the duties of his office. The director may require of the officers and employees such bonds for the faithful performance of their duties, as in his judgment may be necessary.

SEC. 18. Sufficient commission for the handling of produce shall be charged by the market to gradually build up a revolving fund in a sum equal to the original appropriation, such fund to be used as required in the operation or extension of the market.

APPENDIX "E."

PROPOSED AMENDMENTS TO PRESENT STATE MARKET LAW.

An act to amend the title and sections one, two, three, four, five, six, seven, eight, ten, eleven, twelve, fourteen, fifteen and eighteen of an act entitled "An act to provide for the creation of the State Commission Market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission, creating the 'State Commission Market Fund' and appropriating money therefor," approved June 10, 1915; and to add thereto eleven new sections to be numbered one a, one b, one c, one d, seven a, fourteen a, sixteen a, sixteen b, eighteen a and eighteen b.

SECTION 1. The title of an act entitled "An act to provide for the creation of the State Commission Market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission, creating the 'State Commission Market Fund' and appropriating money therefor," approved June 10, 1915, is hereby amended to read as follows:

An act to provide for the creation of the state market commission and the organization thereof; to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission: to define its other duties and powers; to create the position of State Market Director, to define his duties and powers; to create the "State Market Commission Fund," and to appropriate money to carry out the provisions of this act; and repealing all acts and parts of acts in conflict with the provisions of this act.

SEC. 2. Section one of an act entitled "An act to provide for the creation of the state commission market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission, creating the 'state commission fund' and appropriating money therefor," approved June 10, 1915, is hereby amended to read as follows:

SECTION 1. There is hereby created the "State Market Commission," a state organization for the following purposes, to wit:

(1st) To carry on the business of receiving from the producers thereof, the agricultural, fishery, dairy and farm products of the state of California and the selling and disposing of the same on commission, as herein provided.

(2d) To gather and disseminate information concerning supply, demand, prevailing prices and commercial movements, including common and cold storage, of state products.

(3d) To promote, assist and encourage the organization and operation of cooperative and other associations and organizations for improving the relations and services among producers, distributors and consumers of state products.

(4th) To foster and encourage cooperation between producers and distributors of state products, in the interest of the general public.

(5th) To foster and encourage the standardizing, grading, inspection, labelling, handling, storage and sale of state products.

(6th) To investigate the practices and methods and any specific transaction of commission merchants and others who receive, solicit, buy, handle on commission or otherwise, state products.

(7th) To act as a mediator or arbitrator, when invited, in any controversy or issue, that may arise between producers and distributors and which affect the interest of the consumer.

(8th) To certify, for the protection of owners, buyers or creditors, when so requested, to warehouse receipts for state products, verifying quantities and qualities thereof, and to charge for such service fees sufficient to make the service at least self-supporting.

(9th) To issue labels bearing the seal of the state market commission for state products, for which state labels have not otherwise been authorized by law, under such rules and regulations as the commission (director?) may deem necessary.

(10th) To act on behalf of the consumers in conserving and protecting their interests in every practicable way against excessive prices.

(11th) To act as market advisor for producers and distributors, assisting them in economical and efficient distribution of state products at fair prices.

(12th) To improve, broaden and extend in every practicable way, the distribution and sale of California products in the markets of the world. It shall be within the province of the state market director, hereinafter provided for, to determine and decide, when, where and to what extent, existing conditions render it necessary or advisable to carry out any or all the purposes of this act, as above set forth.

SEC. 3. A new section is hereby added to said act, to be numbered section one *a*, and to read as follows:

Section 1a. This act shall be known as the "State Market Commission" act.

SEC. 4. A new section is hereby added to said act, to be numbered section one *b*, and to read as follows:

Section 1b. It is hereby declared it is the purpose of this act to promote in the interest of the producer, the distributor and consumer, economical and efficient distribution and marketing, of all agricultural, fishery, dairy and farm products of California; to reduce in every practicable way, the expense and cost of marketing said products, that the producer may secure more adequate returns and the consumer a lower cost; to provide for the creation of the state market commission; to define its duties and powers; to create the position of the office of state market director; to define his duties and powers; to create the state market commission fund; to establish free markets and auction markets owned or supervised by the state, and to appropriate money for the foregoing purposes.

SEC. 5. A new section is hereby added to said act, to be numbered section one *c*, and to read as follows:

Section 1c. The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "commission" shall be understood to be the state market commission.

The "director" shall be understood to be the state market director, himself personally or his duly appointed and authorized representative.

The "state market" shall be understood to be the places of business established by the state market commission for the sale of state products.

The word "products" shall be understood to refer to the agricultural, fishery, dairy and farm products of the state of California, or products manufactured or processed therefrom within the state.

The term "organizations of producers and distributors" shall be understood to include all corporations, societies, associations and organizations of producers, of producers and distributors, or of distributors, cooperative or otherwise, formed for the purpose of facilitating the marketing of state products, and which from their not selling their securities to the public, do not come within the provisions of the "Investment Companies Act."

A "person" shall be understood to include individuals, partnerships, associations and corporations or their agents or employees.

When the singular is used the plural is also included. Whenever the masculine is used, the feminine and neuter are included.

SEC. 6. A new section is hereby added to said act, to be numbered one *d*, and to read as follows:

Section 1*d*. The production and marketing of all agricultural, fishery, dairy and farm products of the state of California is hereby declared to be a matter of public interest and a proper subject for investigation, encouragement, development, regulation and control by the state.

SEC. 7. Section two of said act is hereby amended to read as follows:

Section 2. The state market commission shall consist of a governing body of one person, to be known as the state market director, hereinafter referred to as the director, who shall be appointed by the Governor of the state of California, and of a secretary to be appointed by the state market director, as hereinafter provided, and these two shall perform the duties and exercise the powers of the state market commission and shall administer the provisions of this act.

SEC. 8. Section three of said act is hereby amended to read as follows:

Section 3. The director shall establish and maintain in any and all the cities and towns in the state, depots or stations to be used as state markets, for the receiving, care, sale and distribution of the agricultural, fishery, dairy and farm products of California, and the director shall establish and maintain an executive office or headquarters at Sacramento.

SEC. 9. Section four of said act is hereby amended to read as follows:

Section 4. The director shall make all necessary rules and regulations, and change the same when necessary, for the operation and carrying on of the state market commission, and shall print the rules for free distribution to all persons who wish to avail themselves of the privileges of the market, whether buyers or sellers, and all buyers and sellers shall conform to such rules and regulations in order to claim any right under this act.

SEC. 10. Section five of said act is hereby amended to read as follows:

Section 5. All producers of agricultural, dairy or farm products, or products manufactured or processed therefrom, or fishery products, which shall have been grown, raised, produced, processed or manufactured within the state of California, or caught in the territorial waters thereof, shall have the right to consign and deliver such products to the state market commission at any of its state markets, depots or branches, for sale and distribution.

SEC. 11. Section six of said act is hereby amended to read as follows:

Section 6. The state market commission shall receive and care for all products consigned and delivered to it under the provisions of this act, and shall sell and distribute to dealers, consumers and all buyers such products to the best possible advantage of the producer, and in the discretion of the director, fix resale prices; and, to the end that the state market commission be self-supporting, shall charge a commission for the handling of all products in an amount which in the judgment of the director is just and reasonable. All settlements with producers shall be made once a month or oftener, and the state market commission shall retain the commission charged.

SEC. 12. Section seven of said act is hereby amended to read as follows:

Section 7. The director shall have power to rent, lease, occupy and use all such lands and buildings as may be needed in the business of the commission or any of its branches, and may provide the same with a sufficient force of officers, clerks, and other employees, as may be deemed necessary to carry out the provisions of this act, and shall rent or purchase, and use all equipment, appliances, horses, mules, trucks or wagons, and all supplies necessary for the carrying on of said business.

SEC. 13. A new section is hereby added to said act, to be numbered section seven a, and to read as follows:

Section 7a. The director shall have power to appoint the head of each state market, branch, station, depot or bureau, established under the authority of this act.

SEC. 14. Section eight of said act is hereby amended to read as follows:

Section 8. The commission shall have a bureau of correspondence for gathering and disseminating information on all subjects relating to the marketing of California products, and shall issue booklets thereon, and by every practicable means keep the producers informed of the supply and demand and at what market their products can best be handled.

SEC. 15. Section ten of said act is hereby amended to read as follows:

Section 10. The state market commission shall have a secretary, who shall be appointed by the director and hold office at his pleasure, and shall perform such duties as he may prescribe. The annual salary of the secretary shall be three thousand six hundred dollars.

SEC. 16. Section eleven of said act is hereby amended to read as follows:

Section 11. The state market commission shall have a seal bearing the inscription "State Market Commission of California," which seal shall be affixed to all such instruments as the director shall require.

SEC. 17. Section twelve of said act is hereby amended to read as follows:

Section 12. The salaries of the director and secretary shall be paid to them in the same manner as are the salaries of other state officers.

The salary or compensation of all other persons holding office or employment under the director, at the head office or at any of the state markets, depots, stations or branches of the state market commission, shall be fixed by the director and shall be paid monthly from the state market commission fund, as hereinafter provided, and after being approved by the director upon claims therefor to be audited by the state board of control.

All expenses incurred by the director pursuant to the provisions of this act, including actual and necessary traveling expenses, and other disbursements of the director, his officers and employees, incurred while on business of the commission, shall be paid from the state market commission fund in the same manner, except as provided for in section 19 of this act.

SEC. 18. Section fourteen of said act is hereby amended to read as follows:

Section 14. There is hereby created a fund to be known as the "State Market Commission Fund." All fees, charges and costs collected by said commission under this act shall be paid into the treasury of the state to the credit of such fund. All appropriations made by this act or any subsequent act for the use of the state market commission, shall be placed to the credit of such fund. All expenses of whatsoever nature, incurred by the commission under the provisions of this act, shall be paid from the state market commission fund, after being approved by the director, upon claims therefor to be audited by the board of control, except as provided for in section 19 of this act.

SEC. 19. A new section is hereby added to said act, to be numbered section fourteen a, and to read as follows:

Section 14a. A revolving fund of two hundred and fifty (250) dollars, shall be established by the board of control for expenses of the state market commission, other than salaries, rent and other regular expenses, and the director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers, monthly, with the board of control covering such disbursements.

SEC. 20. Section fifteen of said act is hereby amended to read as follows:

Section 15. There is hereby appropriated out of any money in the state treasury not otherwise appropriated, the sum of ----- thousand dollars, to be used by said director in establishing and carrying on the state market commission provided for by this act.

SEC. 21. A new section is hereby added to said act, to be numbered section seventeen *a*, and to read as follows:

Section 17*a*. The director may make investigations concerning all matters relating to the provisions of this act and the rules and regulations prescribed thereunder. In connection with any such investigations, the director shall have the right to inspect the books and records of any person, and the director is hereby empowered to hear complaints, administer oaths, certify to all official acts and to issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents and testimony in any inquiry, investigation, hearing or proceeding in any part of the state.

SEC. 22. A new section is hereby added to said act, to be numbered section seventeen *b*, and to read as follows:

Section 17*b*. Any person refusing or failing within a reasonable time to comply with the demand of the director for information in connection with any investigation made under authority of this act, shall be guilty of a misdemeanor and punishable by fine not exceeding five hundred (500) dollars or by imprisonment not exceeding ninety (90) days, or by both such fine and imprisonment.

SEC. 23. A new section is hereby added to said act, to be numbered section seventeen *c*, and to read as follows:

Section 17*c*. Any employee or agent of the commission who shall knowingly make public any confidential information acquired in the discharge of his official duties under the provisions of this act, unless with the consent of the person in interest, may in the discretion of the director be dismissed from the service of the commission.

SEC. 24. Section eighteen of said act is hereby amended to read as follows:

Section 18. Sufficient commission for the handling of products shall be charged by the state market commission to gradually build up the state market commission fund in a sum equal to the original appropriation, such fund to be used as required in the operation or extensions of the state market commission.

SEC. 25. A new section is hereby added to said act, to be numbered section eighteen *a*, and to read as follows:

Section 18*a*. If any section, subsection, sentence, clause or phrase of this act is for any reason declared to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 26. A new section is hereby added to said act, to be numbered section eighteen *b*, and to read as follows:

Section 18*b*. All acts and parts of acts in conflict with this act are hereby repealed.

APPENDIX "F."

PROPOSED STATE MARKET COMMISSION ACT.

(AS IT WOULD READ WHEN AMENDED.)

An act to provide for the creation of the "State Market Commission" and the organization thereof; to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the state of California and selling and disposing of such products on commission; to define its other duties and powers; to create the position of "State Market Director"; to define his duties and powers; to create the "State Market Commission Fund,"

and to appropriate money to carry out the provisions of this act; and repealing all acts and parts of acts in conflict with the provisions of this act.

SECTION 1. There is hereby created the "State Market Commission," a state organization for the following purposes, to wit:

(1st) To carry on the business of receiving from the producers thereof, the agricultural, fishery, dairy and farm products of the state of California and the selling and disposing of the same on commission, as herein provided.

(2d) To gather and disseminate information concerning supply, demand, prevailing prices and commercial movements, including common and cold storage, of state products.

(3d) To promote, assist and encourage the organization and operation of cooperative and other associations and organizations for improving the relations and services among producers, distributors and consumers of state products.

(4th) To foster and encourage cooperation between producers and distributors of state products, in the interest of the general public.

(5th) To foster and encourage the standardizing, grading, inspection, labeling, handling, storage and sale of state products.

(6th) To investigate the practices and methods and any specific transaction of commission merchants and others who receive, solicit, buy, handle on commission or otherwise, state products.

(7th) To act as a mediator or arbitrator, when invited, in any controversy or issue, that may arise between producers and distributors and which affect the interest of the consumer.

(8th) To certify, for the protection of owners, buyers or creditors, when so requested, to warehouse receipts for state products, verifying quantities and qualities thereof, and to charge for such service fees sufficient to make the service at least self-supporting.

(9th) To issue labels bearing the seal of the state market commission for state products, for which state labels have not otherwise been authorized by law, under such rules and regulations as the commission (director?) may deem necessary.

(10th) To act on behalf of the consumer in conserving and protecting their interests in every practicable way against excessive prices.

(11th) To act as market advisor for producers and distributors, assisting them in economical and efficient distribution of state products at fair prices.

(12th) To improve, broaden and extend in every practicable way, the distribution and sale of California products in the markets of the world.

It shall be within the province of the state market director, hereinafter provided for, to determine and decide, when, where and to what extent, existing conditions render it necessary or advisable to carry out any or all the purposes of this act, as above set forth.

SEC. 1a. This act shall be known as the "State Market Commission" act.

SEC. 1b. It is hereby declared it is the purpose of this act to promote in the interest of the producer, the distributor and consumer, economical and efficient distribution and marketing, of all agricultural, fishery, dairy and farm products of California; to reduce in every practicable way, the expense and cost of marketing said products, that the producer may secure more adequate returns and the consumer a lower cost; to provide for the creation of the state market commission; to define its duties and powers; to create the position of the office of state market director; to define his duties and powers; to create the state market commission fund; to establish free markets and auction markets owned or supervised by the state, and to appropriate money for the foregoing purposes.

SEC. 1c. The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "commission" shall be understood to be the state market commission.

The "director" shall be understood to be the state market director, himself personally or his duly appointed and authorized representative.

The "state market" shall be understood to be the places of business established by the state market commission for the sale of state products.

The word "products" shall be understood to refer to the agricultural, fishery, dairy and farm products of the state of California, or products manufactured or processed therefrom within the state. The term "organizations of producers and distributors" shall be understood to include all corporations, societies, associations and organizations of producers, of producers and distributors, or of distributors, cooperative or otherwise, formed for the purpose of facilitating the marketing of state products, and which from their not selling their securities to the public, do not come within the provisions of the "Investment Companies Act."

A "person" shall be understood to include individuals, partnerships, associations and corporations or their agents or employees. When the singular is used the plural is also included. Whenever the masculine is used, the feminine and neuter are included.

SEC. 1d. The production and marketing of all agricultural, fishery, dairy and farm products of the state of California is hereby declared to be a matter of public interest and a proper subject for investigation, encouragement, development, regulation and control by the state.

SEC. 2. The state market commission shall consist of a governing body of one person, to be known as the state market director, hereinafter referred to as the director, who shall be appointed by the governor of the state of California, and of a secretary to be appointed by the state market director, as hereinafter provided, and these two shall perform the duties and exercise the powers of the state market commission and shall administer the provisions of this act.

SEC. 3. The director shall establish and maintain in any and all the cities and towns in the state, depots or stations to be used as state markets, for the receiving, care, sale and distribution of the agricultural, fishery, dairy and farm products of California, and the director shall establish and maintain an executive office or headquarters at Sacramento.

SEC. 4. The director shall make all necessary rules and regulations, and change the same when necessary, for the operation and carrying on of the state market commission, and shall print the rules for free distribution to all persons who wish to avail themselves of the privileges of the market, whether buyers or sellers, and all buyers and sellers shall conform to such rules and regulations in order to claim any right under this act.

SEC. 5. All producers of agricultural, dairy or farm products, or products manufactured or processed therefrom, or fishery products, which shall have been grown, raised, produced, processed or manufactured within the state of California, or caught in the territorial waters thereof, shall have the right to consign and deliver such products to the state market commission at any of its state markets, depots or branches, for sale and distribution.

SEC. 6. The state market commission shall receive and care for all products consigned and delivered to it under the provisions of this act, and shall sell and distribute to dealers, consumers and all buyers such products to the best possible advantage of the producer, and in the discretion of the director, fix resale prices; and, to the end that the state market commission be self-supporting, shall charge a commission for the handling of all products in an amount which in the judgment of the director is just and reasonable. All settlements with producers shall be made once a month or oftener, and the state market commission shall retain the commission charged.

SEC. 7. The director shall have power to rent, lease, occupy and use all such lands and buildings as may be needed in the business of the commission or any of its branches, and may provide the same with a sufficient force of officers, clerks, and other employees, as may be deemed necessary to carry out the provisions of this act, and shall rent or purchase, and use all equipment, appliances, horses, mules, trucks or wagons, and all supplies necessary for the carrying on of said business.

SEC. 7a. The director shall have power to appoint the head of each state market, branch, station, depot or bureau, established under the authority of this act.

SEC. 8. The commission shall have a bureau of correspondence for gathering and disseminating information on all subjects relating to the marketing of California

products, and shall issue booklets thereon, and by every practicable means keep the producers informed of the supply and demand and at what market their products can best be handled.

SEC. 9. The term of office of the director shall be four years or until his successor be appointed by the governor, and the annual salary of the director shall be five thousand dollars. The first appointment of director shall be made upon this act going into effect. The legislature, by a two-thirds vote, may remove the director for misconduct, neglect of duty, or incompetency.

SEC. 10. The state market commission shall have a secretary, who shall be appointed by the director and hold office at his pleasure, and shall perform such duties as he may prescribe. The annual salary of the secretary shall be three thousand six hundred dollars.

SEC. 11. The state market commission shall have a seal bearing the inscription "State Market Commission of California," which seal shall be affixed to all such instruments as the director shall require.

SEC. 12. The salaries of the director and secretary shall be paid to them in the same manner as are the salaries of other state officers.

The salary or compensation of all other persons holding office or employment under the director, at the head office or at any of the state markets, depots, stations or branches of the state market commission, shall be fixed by the director and shall be paid monthly from the state market commission fund, as hereinafter provided, and after being approved by the director upon claims therefor to be audited by the state board of control.

All expense incurred by the director pursuant to the provisions of this act, including actual and necessary traveling expenses, and other disbursements of the director, his officers and employees, incurred while on business of the commission, shall be paid from the state market commission fund in the same manner except as provided for in section 19 of this act.

SEC. 13. The director shall not engage in any other line of business during his term of office, but shall devote his whole time, attention, and ability to the duties of his office. The director shall not hold any stock or other interest whatsoever in any produce commission business.

SEC. 14. There is hereby created a fund to be known as the "state market commission fund." All fees, charges and costs collected by said commission under this act shall be paid into the treasury of the state to the credit of such fund. All appropriations made by this act or any subsequent act for the use of the state market commission, shall be placed to the credit of such fund. All expenses of whatsoever nature, incurred by the commission under the provisions of this act, shall be paid from the state market commission fund, after being approved by the director, upon claims therefor to be audited by the board of control, except as provided for in section 19 of this act.

SEC. 14a. A revolving fund of two hundred and fifty (250) dollars shall be established by the board of control for expenses of the state market commission, other than salaries, rent and other regular expenses, and the director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers, monthly, with the board of control covering such disbursements.

SEC. 15. There is hereby appropriated out of any money in the state treasury not otherwise appropriated, the sum of ----- thousand dollars, to be used by said director in establishing and carrying on the state market commission provided for by this act.

SEC. 16. The director shall make and submit to the governor, on or before the 1st day of December of each year, a report, containing a full and complete account of its transactions and proceedings for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 17. The director, before entering upon the duties of his office, shall make and execute to the people of the state of California an official bond in the sum of fifty thousand dollars, for the faithful performance of the duties of his office. The

director may require of the officers and employees such bonds for the faithful performance of their duties, as in his judgment may be necessary.

SEC. 17a. The director may make investigations concerning all matters relating to the provisions of this act and the rules and regulations prescribed thereunder. In connection with any such investigations, the director shall have the right to inspect the books and records of any person, and the director is hereby empowered to hear complaints, administer oaths, certify to all official acts and to issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents and testimony in any inquiry, investigation, hearing or proceeding in any part of the state.

SEC. 17b. Any person refusing or failing within a reasonable time to comply with the demand of the director for information in connection with any investigation made under authority of this act, shall be guilty of a misdemeanor and punishable by fine not exceeding five hundred (500) dollars or by imprisonment not exceeding ninety (90) days, or by both such fine and imprisonment.

SEC. 17c. Any employee or agent of the commission who shall knowingly make public any confidential information acquired in the discharge of his official duties under the provisions of this act, unless with the consent of the person in interest, may in the discretion of the director be dismissed from the service of the commission.

SEC. 18. Sufficient commission for the handling of products shall be charged by the state market commission to gradually build up the state market commission fund in a sum equal to the original appropriation, such fund to be used as required in the operation or extensions of the state market commission.

SEC. 18a. If any section, subsection, sentence, clause or phrase of this act is for any reason declared to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 18b. All acts and parts of acts in conflict with this act are hereby repeale

SECOND ANNUAL REPORT

OF THE

State Market Director of California

TO THE

GOVERNOR OF CALIFORNIA

For the Year Ending December 1, 1917



CALIFORNIA STATE PRINTING OFFICE
SACRAMENTO

1918

STATE MARKET COMMISSION OF CALIFORNIA

525 Market street, San Francisco.

HARRIS WEINSTOCK.....State Market Director
EDGAR ALLEN FORBES.....Secretary of the Commission

State Market Director's Representatives on the Boards of Directors of Co-operative Marketing Associations.

California Prune and Apricot Growers.....*William G. Alexander*
Poultry Producers of Central California.....*Edgar Allen Forbes*
Poultry Producers of Southern California.....*Austin O. Martin*
Pacific Rice Growers Association.....*Walter M. Smith*
California Bean Growers Association.....*Fred W. Kiesel*
San Joaquin Valley Milk Producers Association.....*William Glass*
Northern California Milk Producers Association.....*Fred W. Kiesel*
Milk Pooling Association of San Diego County.....*E. Melville*
Central California Berry Growers Association.....*Louis E. Townsend*
California Federation of Farmers Co-operative Marketing Assns.....*Harris Weinstock*

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LETTER OF TRANSMITTAL

*Honorable WM. D. STEPHENS,
Governor of California.*

Sir: Section 16 of the State Market Commission Act provides that-

“The director shall make and submit to the Governor, on or before the first day of December of each year, a report, containing a full and complete account of its transactions and proceedings for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.”

In accordance therewith, I have the honor to transmit to you herewith my second annual report.

Respectfully,

HARRIS WEINSTOCK,
State Market Director

San Francisco, December 1, 1917.

SECOND ANNUAL REPORT OF THE STATE MARKET
DIRECTOR OF CALIFORNIA.

*Honorable WM. D. STEPHENS,
Governor of California,
Sacramento.*

Sir: In presenting to you my second annual report as State Market Director of California, to which office you were pleased to reappoint me, it is pertinent to review the circumstances which led the California Legislature to repeal the State Commission Market Act and to substitute therefor the State Market Commission Act, which is now in operation.

The original act contemplated, among other things, the establishment by the state in the cities and towns of the state of public markets to which it was assumed that farmers would ship their products to be sold by the State Market Director, who was authorized to charge a commission sufficient to cover all the costs of operation. When appointment as the first State Market Director of California was tendered me by your predecessor, Governor Hiram W. Johnson, I gave my reasons for believing this function on the part of the state to be economically unsound and costly; and I further made it clear that a more valuable service could be performed in California (in my judgment) if the State Market Director should give to the farmers and fruit growers a marketing service analogous to the cultural service rendered by the farm advisers and the horticultural commissioners, with the end in view of aiding the farmers through organization to do their own marketing collectively. The outcome was that Governor Johnson requested that I take the office of State Market Director and perform such function.

I acquiesced, resigned my existing state duties to other hands, and immediately devoted all my energies to a task which was without precedents to guide me.

As State Market Director, I was subjected to much criticism on the part of those who interpreted the original marketing act as being mandatory so far as establishing state markets was concerned, and not discretionary. My critics maintained that under the law it was my duty, regardless of my judgment in the matter, to establish State Commission Markets, even though in the end they should prove failures. Guided not only by my own judgment and interpretation of the law, but also by the legal advice of able counsel, I exercised the discretion that the law plainly allowed and refrained from establishing State Commission Markets, which I felt would involve the state in serious losses, without any compensating public advantages. As a consequence, the matter was submitted to the legislature at the ensuing session, when the whole

question was thoroughly fought out in committees and on the floors of the senate and the assembly.

The judgment of the legislature was overwhelmingly not only that it was unwise for the state to establish State Commission Markets, but that it was unwise even to make such a matter discretionary with the State Market Director. As a consequence, the provision authorizing the State Market Director in his discretion to establish State Commission Markets was stricken out. Under the present marketing law, it is enacted that the State Market Director shall, among other things, use his best efforts to promote, assist and encourage the organization and operation of co-operative and other associations and organizations for improving the relations and services among producers, distributors and consumers of farm products.

The two things which have militated against producer and consumer of farm products have ever been waste in the cost of distribution and speculation in foodstuffs. The world's broadest experience and highest human wisdom has thus far demonstrated that the most effective way of wiping out these twin evils is by collective marketing on the part of farm producers through farmers' cooperative associations.

Since the brunt of the criticism against the State Market Director was directed mainly against his refraining from establishing state markets for the sale of farm and other products on commission (in contradistinction to "free markets" conducted by municipalities, in their discretion) and against his activity in organizing farmers' co-operative marketing associations, it is fitting that my reasons for not establishing State Commission Markets, as presented by me to the last legislature when the question of state markets was before it, should be here reprinted:

"(1) The only markets provided for in the State Market Act are depots where farm produce is to be received on consignment and sold by the Market Director. Markets where producer and consumer are brought together without the intervention of a middleman are not contemplated by the act.

"(2) It was clearly understood, when I accepted appointment as State Market Director, that I had grave doubts of the practicability and the wisdom of the state going into the commission business, but that in any event I would carry out the other provisions of the act and aid the producer to do his own marketing.

"(3) It was anticipated at the outset, and has been repeatedly confirmed by investigation, that the average farmer does not, as a rule, desire to consign his products to the state or to others, so long as he can sell outright, and that as a rule, he does sell outright.

"(4) It is also beyond question that only a small fraction of the consumers are willing or able to become regular patrons of free markets.

“(5) Even if both producers and consumers were eager for the establishment of such markets, the markets could not be expected to do more than touch the barest fringe of the state’s marketing problem.

“(6) The appropriation provided for the administration of the entire act was entirely inadequate for the establishment of even one such market and at the same time make it possible to carry out its other provisions.

“(7) The prospective burdens to be placed upon the taxpayers of the state by the establishment of a succession of expensive marketing plants, with a small army of employees, would exceed all possible advantages to be gained by producers and consumers.

“(8) No other state in the Union has been able successfully to demonstrate the theory of such commission markets under state ownership and control; (Hawaii is not an exception).

“(9) The establishment of markets of any kind for local consumption is a municipal and not a state function. The state’s function is to assist in intrastate and interstate marketing (the latter of which includes the great bulk of our farm production).”

It may be well to point out that the present State Market Act (the text of which appears as an Appendix) differs widely from the act which it displaced. Instead of the “State Commission Market” contemplated by the old law, a “State Market Commission” was created, comprising the State Market Director and the Secretary of the Commission. Its functions are outlined as follows:

First: To act as advisor for producers and distributors when requested, assisting them in economical and efficient distribution of any such products at fair prices.

Second: To gather and disseminate impartial information concerning supply, demand, prevailing prices and commercial movements, including common and cold storage of any such products.

Third: To promote, assist and encourage the organization and operation of co-operative and other associations and organizations for improving the relations and services among producers, distributors and consumers of any such products, and to protect and conserve the interests of the producers and consignors of such products.

Fourth: To foster and encourage co-operation between producers and distributors of any such products, in the interest of the general public.

Fifth: To foster and encourage the standardizing, grading, inspection, labeling, handling, storage and sale of any such products.

Sixth: To act as a mediator or arbitrator, when invited by both parties, in any controversy or issue that may arise between producers and distributors of any such products.

Seventh: To certify, for the protection of owners, buyers or creditors, when so requested, warehouse receipts for any such products, verifying quantities and qualities thereof, and to charge

for such service fees sufficient to make the service at least self-supporting.

Eighth: To issue labels bearing the seal of the State Market Commission on request of the producer, packer, canner or distributor, for any such products for which state labels have not otherwise been authorized by law, under such rules and regulations as the director may deem necessary and to charge for such labels such fees as in the judgment of the State Market Director may be proper.

Ninth: To act on behalf of the consumers of any such products in conserving and protecting their interests in every practicable way.

Tenth: To improve, broaden and extend in every practicable way, the distribution and sale of any such California products throughout the markets of the world.

Eleventh: To promote in the interest of the producer, the distributor, and consumer, economical and efficient distribution and marketing of all or any agricultural, fishery, dairy and farm products produced, grown, raised, caught, manufactured or processed within the state of California.

It will be remembered that I was subjected to severe criticism because, under the former act, I organized producers into marketing associations. It was claimed by my critics that such activity on my part was illegal, because not specifically authorized by the law. The legislators evidently considered that this criticism had some merit, for they made provision in the new law for such associations to be organized as one of the chief functions of the State Market Director.

That such activity places California in line with the Federal government is shown by the following extract from the 1916 Yearbook of the United States Department of Agriculture:

“The work of the Office of Markets and Rural Organization has developed very rapidly, and some notable results have been secured. Definite assistance has been rendered to the fruit interests of the states of Oregon, Washington, Idaho and Montana. An organization composed of co-operative associations, corporations operating for the producers, and individual growers was formed during the past year. The purpose of the organization is to secure broader distribution through the establishment of uniform grades and marketing methods. Through it the fruit industry of the Northwestern states should be placed upon a more efficient business basis. It comprises 65 per cent of the Northwestern fruit industry, representing an investment of \$150,000,000, and supporting approximately 20,000 growers. This is probably the most important single activity in forming co-operative organizations that has yet been undertaken by the department.”

The logic of such governmental activity has been officially stated in a previous Yearbook of the U. S. Department of Agriculture as follows:

“If it is good business and entirely proper for manufacturers, wholesalers and retailers to unite in their respective organizations, not to control prices or restrain trade, but for greater business efficiency and to eliminate waste, what argument should induce farmers to refrain from similar action to improve their business? What can the manufacturer gain by such organization which the farmer can not? Is the average intelligence of the manufacturer less than the average intelligence of the American farmer? If it is advisable for the manufacturers and dealers to federate into state and national associations for the above-named purposes, by what line of reasoning do some conclude that it is unnecessary or absolutely improper for the farmers to organize even on a community basis?”

At any rate, California is today taking the lead in forming influential associations for collective marketing and it is perhaps not too much to say that it is today one of the best (if not the best) organized states in the Union.

It is with some degree of satisfaction that I now present to you in this report—as evidence that the legislature’s estimate of the value of my organizing activities was not misjudged—a summary of the present status of the various co-operative marketing associations with which the State Market Director was most intimately associated while administering the previous State Market Act, and of the new associations now being formed.

The answer to the contention made by critics that farmers’ marketing associations “sting” the consumer, is the following circular letter issued by the State Market Director and addressed to the farmers’ co-operative associations, advising them to take out Federal licenses. The Market Director’s suggestion has as a rule been followed by such associations, who not only wish to offer the government their heartiest co-operation, but wish to show to the public at large that they are voluntarily placing themselves in a position where even the possibility of any exploitation of the public would be out of the question:

To all Co-operative Marketing Associations:

“Gentlemen: The question has been raised by some as to whether the farmers’ co-operative marketing associations are required to take out Federal licenses. As State Market Director, my own judgment in the matter is that, as a matter of public policy, farmers’ co-operative marketing associations should take out marketing licenses, even if not required to do so, and my suggestion is that such associations do so.

“It is the purpose of the Federal Food Administration to do anything and everything that it can to keep the producer of farm

products producing, and in order to do this I am morally certain that the Federal Food Administration, so far as lies within its power, will endeavor to do whatever it can to aid the farmer in getting living prices for his crops. Since the farmers' co-operative marketing associations have no desire to exploit the consumer, they have nothing to fear from taking out licenses.

"As you undoubtedly know, the opponents of co-operative marketing associations have claimed that the purpose of such associations is to "sting" the consumer. The fact of a farmers' co-operative marketing association having voluntarily asked for a license is in itself proof that it does not desire to "sting" the consumer, and once having taken out a license, "stinging" the consumer will become legally impossible, because any attempt on the part of an association to exploit the public would at once lay the association liable to a loss of its license.

"I would suggest that, if you have not already done so, you send an application to the Federal Food Administration, License Division, Washington, D. C., requesting it to send you blanks on which you may make out the formal application for the license.

Yours very truly,

Signed: HARRIS WEINSTOCK,
State Market Director."

THE PRESENT STATUS OF CO-OPERATIVE MARKETING ASSOCIATIONS CLOSELY AFFILIATED WITH THE STATE MARKET COMMISSION OF CALIFORNIA.

CALIFORNIA PRUNE AND APRICOT GROWERS, INC.

This association, whose successful organization was still problematical at the time of my previous report, has reached its first goal and is now to be regarded as one of the most important marketing associations ever organized in California; and, as State Market Director, I regard the efforts put forth in its behalf as being among the most fruitful of those which I have exercised during my administration.

It now numbers about 5,000 growers, has a paid-up capital of nearly \$1,000,000, and during its first year has handled about 110,000,000 pounds of prunes and 13,000,000 pounds of apricots, out of a total production estimated at 190,000,000 pounds of prunes and 20,000,000 pounds of apricots. Its membership represents a much larger proportion than that actually handled the first year, for the reason that many of its growers had existing contracts to deliver the year's crop to commercial packers.

The association's management has been of very high order and has commanded respect from the outset. Its method of selling during the first year included the utilization, to a certain extent, of the existing machinery of distribution, for its organization was not perfected until after the period when Eastern buyers contract their year's supplies. Arrangements were therefore entered into between the association and about forty individual packers whereby the latter did the packing on contract and, in return, did the actual selling without commission. It is the intention of the association hereafter to operate its own packing houses and do its own selling.

In the beginning its management was far-seeing enough to recognize the importance of seeking the wisest possible distribution instead of trying to get every cent that could be squeezed out of the year's market. Its prices are an effective silencer of the allegations that producers "sting" the consumer when strongly organized.

The association opened with a price to the trade of a 6-cent bulk basis on prunes, carrying a premium of 1 cent a pound on 30-40s, and $\frac{1}{2}$ cent a pound on 40-50s; aside from any consideration, the basis of a flat price of 14 cents a pound was made on 20-30s. (These prices do not include packing charges ordinarily added in sales to the trade.) At a later date, after having sold sufficient to insure the complete sale of the production, the association withdrew from the market, accepting no orders for prunes on its own account or through any of the associated

packers. Early in the delivery season the Federal government came in with a requisition requiring some 4,000,000 pounds of 50-60s and 60-70s. In view of the fact that commercial organizations secure their portions of this government order, to be paid much larger prices to secure their portion of the production, the government established a price of 6½ cents basis to be paid for its requirements.

General trade conditions since the formation of the association have borne out the wisdom shown by the management in establishing a 6-cent basis price as the guaranteed association price. Export and transportation conditions, along with many other conditions, would have brought about a very serious slump in the prune market and the association has been a wonderful steadying influence in the maintenance of a price; but even with the strength of the association behind the price, much greater than 6-cent conditions could not have been maintained.

Very similar conditions have maintained in the dried apricot market, the association opening with what it considers a 15-cent basis—viz, 15 cents for extra choice, 14½ cents for choice, 13½ cents for standard; and in the larger sizes, 16 cents for fancy, 17 cents for extra fancy and 18 cents for Jumbo or extra fancy Moorpark grade. Except in the sale of some small portions of first quality slab fruit, the association has done well to maintain its opening prices and has made sales to date sufficient to reimburse the corporation for the advances made to growers on delivery and possibly 50 per cent of the further value that will accrue to the members. In view of the car shortage and, most especially, extreme conditions in the case of apricots, the association's deliveries have been so restricted that it has not as yet delivered on its sales sufficient to make any further than the early delivery advances to members.

The association will undoubtedly return to its members a price for their deliveries equal to the average price secured by growers outside the association, although antagonistic packers have paid exorbitant prices to nonmembers and were also able (early in the season) to secure a considerable quantity of fruit at very low figures.

Although the California Prune and Apricot Growers has not this season handled 75 per cent of the production of dried prunes or apricots, it has quite a considerable membership signed to deliver to it for the remaining four years of the contract. Consequently, without any further additions to the membership, the association will be considerably stronger from point of controlling the production another season. The weaker the control of production this season, the more the management of the association is to be complimented on its business success to date.

The association's headquarters are at San Jose, and its officers are as follows:

T. S. Montgomery, president,
W. A. Yerxa, vice president,
Jos. H. Bone, secretary,
H. G. Coykendall, general manager.

The State Market Director is personally represented on the board of directors and the executive committee by Wm. G. Alexander.

CALIFORNIA PEACH GROWERS, INC.

In view of the fact that my first activity (taken on the day of my first inauguration as State Market Director of California) was in going to the assistance of the Peach Growers, then in the throes of an effort to organize, it is with no small degree of pleasure that I now report that it ranks among the leading marketing associations of the state, with a strong financial status, control of the bulk of the production of drying peaches, and efficient business management and salesmanship. It has rescued the California peach grower from insolvency and despair and has placed this great industry on a sound and prosperous basis—all within a remarkably short period of time.

The following concrete facts and figures tell, in a concise and inspiring way, the present status of this fine association of fruit growers, who were absolutely at the mercy of the packers so recently as the date of the establishment of this office.

The acreage of such peaches as are commonly dried in California is something like 50,000 acres, of which this company has purchased, under a five-year contract, 45,750 acres.

In regard to capital stock: Its records show a total subscription of \$848,185. Of the above amount it has received in cash approximately \$340,000. It has received notes and has on hand, on account of capital stock subscriptions, something over \$475,000. Something like \$30,000 of its stock subscriptions have been neither paid for by cash nor secured by notes.

The tonnage sold direct to the Eastern trade and shipped by this company for the season of 1916, amounted to slightly over 7,500 tons. The direct sales by this company, of 1917 crop to September 20, 1917, are 7,600 tons. Its management anticipated that its sales to December 31, 1917, will aggregate 10,000 tons.

In order to properly appreciate what this report means, it is well to remember that from one-third to one-half of the 1915 crop of California peaches was not even harvested, because the growers were not offered by the packers a price even equal to the cost of production. One of the leading growers summed up the situation at that time as follows:

“It is an indisputable fact that the consumer is paying on an average about 17 cents per pound for dried peaches and you are receiving $2\frac{1}{2}$ to 3 cents. People may doubt this statement, but it is true.”

Surely no stronger argument for the State Market Commission's aid in behalf of marketing associations is needed.

The story of the first year of the California Peach Growers was epitomized by its secretary, Mr. Al. Sunderland, at the recent Fruit Growers' Convention, these being the significant points:

The association started with the good will of their kind and they now have 6,000 grower-members. In 1914 dried peaches netted growers an average of less than three cents per pound. In 1916 there were produced 30,000 dried tons and nearly 10,000 tons were carried over from 1915 crop. Both new product and carry-over were handled by the new association and netted growers \$5.26 per hundredweight. The crop of 1917 was the largest ever produced and it has already been practically sold to net the growers eight cents per pound or better.

Mr. Sunderland's philosophy of co-operation is very simple: “If growers do not get what belongs to them from a good product, they must blame themselves. If they blame themselves hard enough, they will organize. Organization is the only thing and it must come; besides, it is getting here very fast. Inflated prices are prevented by an organization which has force enough to net the grower what he is entitled to. The grower can not afford to let the price go too high. It is his business to get a fair return and everybody will be happy.”

The offices of the California Peach Growers, Inc., are in the Holland Building, Fresno, and its officers and directors are as follows:

F. H. Wilson, president.

J. F. Niswander, vice president and general manager.

Al. Sunderland, secretary and treasurer.

CALIFORNIA PEAR GROWERS' ASSOCIATION, INC.

Along in 1916, certain influential pear growers—among them Mr. Frank T. Swett, horticultural commissioner of Contra Costa County—reported to me that the pear industry was in a chaotic and disheartened

condition, with the unorganized growers practically at the mercy of the canners. I was requested to initiate a movement for organizing them into a co-operative marketing association.

It happened that at the time the canners themselves were unorganized; that is, the larger concerns had not yet merged themselves into one giant corporation. The result was that competition advanced the price to about \$50 a ton, which satisfied the grower and chilled his enthusiasm for organization. I therefore dropped the matter, for the time being.

It was reasonable to expect that prices for 1917 pears would, in common with other California fresh fruits, go still higher, but the highly organized canners permitted the news to leak out that about \$35 would be a good price for 1917. I therefore consulted again with leading growers and we arranged a joint conference with the canners. The growers' report of that conference has been summed up by Mr. Swett as follows:

"We humbly intimated, even assuming a larger crop of pears than usual, that under the conditions of increased costs the same figure as the preceding year, \$50 a ton, would be fair. We called attention to the fact that the canners' opening prices were 20 cents a dozen higher than last year, thus covering increased cost of production on their part, and showing some optimism as to future markets. We could not quite see why our price should be cut \$15 a ton, or 30 per cent. It looked to us as if someone intended cutting a melon and reserving all the slices for himself. But the powers representing different canneries told us a most pitiful tale of woe. There were practically no advance orders for pears. Great Britain had limited imports. Cans were scarce. Buyers were turning their attention to peaches and plums and to almost everything except the unorganized Bartlett pear.

"So we arrived nowhere in our talk-fest with our friends. We had listened to an eloquent talk telling of the tremendous risk run by any canner who rashly packed 1917 pears in tin. We had a vivid picture presented to us of long rows of unsold canned pears tarrying indefinitely through future months upon retailers' shelves."

The growers went home convinced that they must hang together or hang separately. A temporary organization was quickly formed and was later incorporated. By collective action the shortage of box shook was overcome, new markets for carload lots developed, and 4,700 carloads were shipped out of the state and sold at prices aggregating to the growers about \$100,000 more than had been offered by the canners. It is calculated that the shipments netted between \$50 and \$60 a ton, instead of \$35. One large grower who would gladly have contracted

his crop at \$50 a ton actually netted \$80 a ton as the result of organization.

It is estimated that California now has about 17,000 acres of pears in bearing and 24,000 acres yet to come in. Instead of marketing 65,000 tons annually, as now, the growers must eventually find profitable outlet for something like 165,000 tons, and this can only be done through organized effort.

The fortunate results of the first year's operations will undoubtedly make easier the task of enlisting other growers during the ensuing year.

The headquarters of the California Pear Growers' Association, Inc., will be in San Francisco, local address not yet determined, and its present officers are as follows:

President, Frank T. Swett, Martinez.
Secretary, F. A. Edinger, Courtland.

CALIFORNIA ASSOCIATED OLIVE GROWERS, INC.

The California ripe olive, now rapidly becoming known all over the world as a unique and luscious delicacy and food product, is a state monopoly, for it is produced nowhere else in the world. The European olive, which until recently was the only olive commercially known, must be picked and pickled green; the California olive can be allowed to ripen, for it can be processed and shipped without becoming too soft.

Notwithstanding this monopoly, the olive growers of California have found it an unprofitable crop in recent years and they faced the alternative of digging up their trees or finding a new method of marketing. They chose the latter plan, and with the aid of the State Market Director, perfected an organization in 1916 which is on a permanent footing. It has passed through the perplexities and vicissitudes incident to the first year of all similar marketing associations and now faces its second year with increased confidence.

The association now numbers about 190 olive growers, representing about 1,200 acres of the best olive groves in California. It has built during the year two modern olive processing plants, which are the last word as regards construction, equipment and comfort for employees. They are of hollow tile throughout, with asbestos roofs, steam heat, running warm water, etc., and have storage capacity for taking care of large quantities of olives in brine that cannot be handled to advantage in pickling vats that are already filled with olives in the course of being processed.

During the first year the management of the association has built up an effective sales organization for placing its product at a minimum cost in the principal jobbing centers of the United States. Its business has steadily grown and already its "Serra" brand is favorably known all over the country.

Its management reports that the entire season's output has been sold at remunerative prices and that it this year had the satisfaction of shipping to New York, Philadelphia and Boston the first carloads of ripe olives.

The offices of the association are at 312 Balboa Building, San Francisco, in charge of J. C. Martin, Jr., president and general manager. The officers and directors are as follows:

J. C. Martin, Jr., president and general manager.

L. Crichton, secretary.

T. B. Garnischs, assistant secretary.

POULTRY PRODUCERS OF CENTRAL CALIFORNIA, INC.

This association was incorporated on October 31, 1916, after a remarkably successful campaign conducted under my supervision, and at that time comprised the owners of upwards of a million hens in the central part of the state. The first problem which its board of directors had to face was that of reaching a decision regarding the best marketing plan for the vast quantity of eggs which the organization was obligated to market to the best advantage. Of the marketing plans submitted, the following were those most seriously considered:

First Plan: That the association itself should sell the eggs of its members direct to the wholesale dealers, or to the retailers, or to both. This plan was soon discarded for several reasons, the principal ones being—

(a) Lack of capital sufficient to carry large accounts; lack of financial standing with the banks; lack of acquaintance with the fraudulent dealers who might become "insolvent" when their indebtedness was sufficiently large.

(b) Lack of business experience in handling eggs in vast quantities, especially during the storage season, when the supply greatly exceeds the local demand.

(c) Lack of trade connections, channels of distribution and of efficient selling agents, the perfection of which requires years of operation.

Second Plan: That the association should deliver all of its eggs to one dealer, to be sold on a brokerage-per-dozen basis, with a division of

profits on all eggs sold above a fixed price. This plan was at first very favorably considered by the directors but was finally rejected.

Third Plan: The selling plan finally adopted was that which had been recommended by me, after conference with the president of the San Francisco Wholesale Dairy Produce Exchange. It was essentially as follows:

(a) The association's eggs would daily be distributed among all of the wholesale dealers on a percentage basis, according to the volume of their egg business during the preceding year.

(b) The price would be determined daily in accordance with the usual practice of the Produce Exchange.

(c) The association would itself be represented on the floor of the Exchange, and have a voice in determining the price.

(d) The dealers would pay to the association as much as to any poultryman not a member of the association.

When it is considered that this was a newly-formed and inexperienced association, with assets consisting mainly of hopes and ideals, the merits of this selling plan can be appreciated. All of the eggs shipped by association members were thereby sold in advance for the entire year—no sales experts being required. The poultryman could be protected against possible manipulation of prices by the association's representative on the Exchange; if he considered prices were being forced downward, as the result of manipulation, he could always raise it by buying any eggs offered at a lower price, or by offering to buy at a price higher than the latest bid.

Moreover, this selling plan seemed to be ideal in that it offered the widest possible distribution and obviated the necessity of the dealers maintaining expensive buying stations in the poultry districts, which would naturally have tended to wean away the less conscientious members, and which would also have placed an added burden on the ultimate consumer.

In actual practice, however, this ideal plan had some notable weaknesses, for instance—

(a) The eggs were delivered over to the regular wholesale dealers, who had been regarded by poultrymen in general as "speculators."

(b) While the poultrymen undoubtedly received more cents per dozen for their eggs than they would have received without a voice on the Exchange, there are, of course, no figures to prove it, since no one could say how much the daily quotations would have been depressed under other conditions.

(c) All of the benefits that resulted from collective selling were received also by the poultryman outside the association, who contributed

nothing toward the organization that achieved the results. This fact encouraged non-members to remain outside, and made the members "sore."

(d) It happened that the first year of operations fell within the war period, when the prices of grain for poultry feed went skyward, while the advance in the price received by the poultryman for his eggs did not keep pace with the increased cost of production. Nevertheless it is a curious fact that during the year the association has twice been the subject of federal investigation (at a time when many of its members were becoming insolvent and quitting the business), the absurd assumption being that the poultrymen were exploiting the public and endangering the success of the world war for democracy!

Despite all its handicaps, the association has made an excellent record for its first year. Outside of small commotions started by a few vociferous and delinquent members who had been called into court, there have been no dissensions, as was shown by the action of the annual meeting of the stockholders in October at which more than two-thirds of the outstanding shares were represented in person or by proxy. There were no resolutions of censure or criticism; nine of the eleven members of the board of directors were re-elected; and the officers for the ensuing year have also been unanimously re-elected. The sound financial status of the association is shown by the following:

Auditor's Financial Statement November 1, 1917.

| <i>Assets.</i> | |
|---|---------------------|
| Cash on hand (in bank) | \$59,943 49 |
| Automobile account | 424 10 |
| Furniture and fixtures | 1,814 87 |
| Eggs on hand | 402 63 |
| Cases, fillers, etc., on hand | 8,601 33 |
| Cash due for eggs sold (paid following week) | 33,077 57 |
| Accounts receivable | 694 65 |
| Notes receivable | 123 60 |
| Sundries | 2,107 73 |
| Stock bought in from members | 800 00 |
| Total | \$107,989 97 |
| <i>Liabilities.</i> | |
| Capital stock paid in | \$64,699 36 |
| Cash due producers for eggs (paid following week) | 31,989 46 |
| Accounts payable | 1,611 64 |
| Members' deposits for grain | 25 00 |
| Reserve for depreciation | 166 58 |
| Surplus | 9,497 93 |
| Total | \$107,989 97 |

REPORT OF STATE MARKET DIRECTOR.

| OPERATION OF BUSINESS. | | Jan. 29. to Nov. 1 (40 weeks) |
|--|--|----------------------------------|
| Total eggs handled ----- | | 174,726 cases |
| Total operating expense (including expenses prior to January 29, 1917) ----- | | \$45,286 27 |
| Total supplies (cases, fillers, etc.) ----- | | 53,447 56 |
| Total all expenses ----- | | \$98,733 83 |
| Operating expense, per case ----- | | 0.2344 |
| Cases, fillers, etc., per case ----- | | 0.3082 |
| Total all expenses, per case ----- | | 0.5426 |
| Income from selling cost (2 cents dozen) ----- | | \$104,847 07 |
| Income from other sources ----- | | 3,517 29 |
| Total income ----- | | \$108,364 36 |
| Total expenses (as above) ----- | | 98,733 83 |
| Surplus ----- | | \$9,630 53 |
| Less:—Pro rata of surplus on stock canceled ----- | | 132 60 |
| Net surplus, November 1, 1917 ----- | | \$9,497 93 |
| COST OF OPERATION. | | Jan. 29. to Nov. 1 (40 weeks) |
| Total eggs sold ----- | | 174,726 cases |
| Total received for eggs ----- | | \$1,755,822 57 |
| Total operating expense (not including expenses prior to January 29, 1917) ----- | | \$40,953 87 |
| Operating cost per cent of sales ----- | | 2.33% |

The association is now sufficiently well capitalized to do its own marketing and its board of directors has already decided that the association will sell its own eggs during the coming year, unless a more advantageous plan presents itself.

The offices of the association are at 757 Sansome street, San Francisco, and its officers and directors are as follows:

Chas. Romwall, president.
J. H. Barber, first vice president.
P. R. Lyding, second vice president.
Frank H. Snow, assistant secretary.

Directors.

Wm. Ewart, Pennngrove, Cal.
Leland F. Fobes, Loomis, Cal.
L. C. Boydston, Santa Cruz, Cal.
N. M. Jensen, Petaluma, Cal.
Chas. Weeks, Palo Alto, Cal.
F. E. Bartlett, Modesto, Cal.
E. E. Bennett, Sonoma, Cal.
Edgar Allen Forbes, San Francisco.

The State Market Director is personally represented on the board of directors and the executive committee by Edgar Allen Forbes, of the Market Commission.

POULTRY PRODUCERS OF SOUTHERN CALIFORNIA, INC.

This association was organized under the supervision of my office with practically the same form of producers' contract as that of the Poultry Producers of Central California, Inc., and was incorporated on December 20, 1916. At the outset it was confronted with the impracticability of trying to market its own eggs to advantage during the first year, on account of lack of capital and lack of the essential machinery of distribution. It therefore invited proposals from established egg dealers.

The result was a dilemma of no small proportions. One prominent firm offered to handle the entire output but the other dealers naturally threatened "a fight" if the association should turn all its eggs to the one firm. They offered to contract collectively for the association eggs but the firm referred to refused to participate in such agreement and it likewise promised "a fight." It seemed, therefore, that the association would meet with formidable opposition, no matter which horn of the dilemma it might take.

Luckily, a happy solution presented itself. A brokerage firm, not a competitor of the dealers, offered to handle the eggs on a commission basis, finance the year's operations, store eggs on joint account, and divide the resulting profits. The plan was adopted by the association for its first year's operations. The concrete result, so far as it can be expressed by figures, is shown by the following:

Financial Statement for Period Ending October 25, 1917.

| <i>Assets.</i> | |
|---|-------------|
| Cash | \$22,575 00 |
| Accounts receivable | 9,308 16 |
| Cases and case material | 2,538 02 |
| General equipment | 1,506 30 |
| Office equipment | 1,191 20 |
| Eggs in storage (our half interest) | 3,084 00 |
| Prepaid rent | 57 80 |
| | <hr/> |
| | \$40,350 57 |

| <i>Liabilities.</i> | |
|---|-------------|
| Capital stock | \$6,010 00 |
| Accounts payable | 21,732 00 |
| Refund to producers (unpaid) | 9,076 42 |
| Net surplus and excess deductions | 3,350 57 |
| | <hr/> |
| | \$40,350 57 |

In certain important particulars, the policy of this association differed from that of the Central California association. Instead of making a one cent per dozen deduction for additional capital stock (the policy of the Northern association), it closed its stock books with only 601 shares outstanding, held by 523 stockholders. It therefore closed the

year with only \$6,010 in paid-up capital stock, whereas the Northern association had approximately \$65,000 available as a working capital. The Southern association therefore must enter its second year with the original handicap of being insufficiently financed. On the other hand, the book value of its shares advanced from the par value of \$10 to something like \$30, all of its profits being calculated on a maximum of 601 shares. The book value of the Poultry Producers of Central California stock, however, is calculated at \$11.70, the \$1.70 representing the savings per share out of the two cents per dozen deducted for cases, fillers and overhead expense. The basis of calculation in this case, however, was on more than 52,000 shares of paid-up capital stock.

In contrasting the policies of these two poultry associations during their first year of operation, another fact must be borne in mind. Each association deducted three cents per dozen for all eggs handled. The Poultry Producers of Central California returned to its members one cent in the form of stock certificates (at par value but being at a premium) and approximately another cent per dozen in the form of free cases—the daily quotations in San Francisco calling for eggs in new cases. The Poultry Producers of southern California, however, encountered a new ruling of the Los Angeles Produce Exchange which made it necessary for the association to retain all of the three-cent deduction in order to deliver the eggs in new and free cases at its own expense. It is expected that the selling plan for the second year will provide against the defects of the first year's experiment.

At one time the trouble makers common to all farmers' associations threatened to disrupt the Poultry Producers of southern California, but the issue was frankly met by the association, which called a meeting of the stockholders and gave to all of the objectors the fullest opportunity of airing their grievances. The result was a vote of confidence for the directors and officers.

It is fitting, in this connection, that I should make special mention of Mr. Austin O. Martin, of the First National Bank of Los Angeles, who has served continuously as my appointee on the board of directors and also on the executive committee of the Poultry Producers of southern California. He represents the highest type of citizenship in that he has unstintedly given both his time and his splendid business training to the association without compensation of any kind other than the satisfaction of rendering a valuable service to the state. To him and to Mr. Stoddard Jess, president of the First National Bank (who has generously allowed Mr. Martin to serve the association), I am very greatly indebted.

The offices of the association are at 1560 Industrial street, Los Angeles, and its officers and directors are as follows:

J. M. Davison, president.
C. G. Ross, vice president.
K. E. Steinhauer, secretary.

Directors.

M. A. Schofield.
B. R. Holloway.
E. E. Brett.
L. W. Prewett.
W. L. Grubb.
Thos. M. Hurley.
Forrest Daniels.
Austin O. Martin.

ASSOCIATED DAIRYMEN OF CALIFORNIA, INC.

The great dairy industry of California has been facing, during the year now closing, the most critical period of its history. Investigations previously made by my office for the purpose of determining the cost of producing milk in normal times showed conclusively that dairymen were even then receiving for their milk less than its actual farm cost. (The housewife, however, was paying for her bottle of milk a price equal to or exceeding the price in New York suburbs and other districts where the cost of distribution—especially during the winter months—must inevitably be much greater than here, where the delivery wagons are never called up to plough their way over long distances through storms and snowdrifts.)

For more than two years I have actively concerned myself, as State Market Director, with efforts to effect some adjustment whereby the costs of distribution might be so minimized that the dairyman might receive a few cents more per gallon for his milk, without any additional cent per quart being imposed upon the housewife.

This result was happily accomplished in the San Francisco district last year, as the outcome of an agreement negotiated in my office by a conference of producers and distributors. Had the abnormal war conditions not intervened, there would today be no milk problem in this part of the state.

When the prices of hay and grain began to steadily soar and the wages of experienced milkers followed, dairymen all over the state began to realize that they must either get more for their milk or sacrifice their herds. This realization meant only one thing—state-wide organization for collective marketing.

The initial step had been taken by the Associated Milk Producers, supplying San Francisco and other Bay cities with fresh milk, as detailed in my last annual report. The success of this association in securing a living price for its milk led dairymen in other large producing districts to request my assistance in achieving similar results through organization. I have gladly given time, energy and experience to conferences and public meetings all over the state and have been able to help bring into life a number of dairy associations. Five of these have now become federated for joint marketing, under the name of the Associated Dairymen of California, Inc. They are as follows:

- (1) Associated Milk Producers, San Francisco. Incorporated May 16, 1916.
- (2) Northern California Milk Producers' Association, Sacramento. Organized May 3, 1917.
- (3) San Joaquin Valley Milk Producers, Fresno. Organized May 25, 1917.
- (4) Milk Producers' Association of Central California, Oakland. Organized April 7, 1917.
- (5) California Milk Producers' Association, Los Angeles. Incorporated June 2, 1915.

These five important dairy associations comprise the nucleus of the Associated Dairymen of California, which was incorporated on August 4, 1917, as a non-profit co-operative organization. Each of its units retains its individual and corporate identity and each will continue to market its own whole milk and sweet cream, but its other dairy products will be marketed by the central organization.

In addition to these five units, three others are contemplated:

- (a) One to include San Diego and Imperial counties;
- (b) One for Humboldt and other Northern counties;
- (c) One to include the district from Monterey to Ventura.

At the present time the individual membership of the Associated Dairymen is about 2,000, but the organization is only in its infancy. The organization is now financed by appropriations made by each of the units on the basis of its membership.

The units are at present represented in the Associated Dairymen by the following members:

- (1) Associated Milk Producers: M. T. Freitas and F. A. Machado.
- (2) Northern California Milk Producers' Association: J. M. Henderson, Jr., and J. S. Watson.
- (3) San Joaquin Valley Milk Producers' Association: H. E. Vogel and J. E. Schlotthauer.
- (4) Milk Producers' Association of Central California: H. A. Sellers and J. M. Balra.
- (5) California Milk Producers' Association: Ben A. Rhoades and James McAllister, Jr.

The present officers of the Associated Dairymen of California, with offices in the Fruit Building, Sacramento, are as follows:

President, J. M. Henderson, Jr.

Vice president, M. T. Freitas.

Secretary, S. N. Ayres.

In view of the fact that the Associated Milk Producers has now been in active operation for a considerable period of time, the following statement of its accomplishments may be of interest in this connection:

The Associated Milk Producers, Inc., was successfully organized early in 1916, with the help of the State Market Director, after three previous attempts had failed. It was the first of several large associations of dairymen to be formed, in an effort to bring about a scientific method of securing for the producer a price per gallon that would have some ratio to the cost of production. This association supplies most of the market milk for San Francisco and other Bay cities, using only its surplus for the manufacture of butter and cheese.

Its present membership, composed of dairymen located in the near-by counties producing market milk, has increased since January 1, 1917, about 30 per cent and now totals 185 active dairymen, owning approximately 20,000 cows. The product of these cows is sold to the association by the members for a period of two years and the association in turn sells the milk to distributors in the various Bay cities and near-by districts.

Of the amount of milk consumed in these cities the association supplies the percentage set opposite each city as follows:

| | |
|---------------------|-------------|
| San Francisco | 80 per cent |
| Oakland | 7 per cent |
| San Jose | 60 per cent |
| San Mateo | 75 per cent |
| Redwood City | 15 per cent |

The association has been instrumental in securing an increased price per gallon for the milk of its members over that which they had been receiving previous to the organization. From June 1, 1916, to May 31, 1917, the association received 16½ cents per gallon for all milk sold as market milk and returned to its members about 14½ cents. On April 24, 1917, contracts were signed with the majority of the milk distributors of San Francisco whereby they agreed to purchase and the association agreed to sell them all milk used in their business at a price to be set by a board known as the Board of Arbitration, consisting of three distributors and three producers, which board was to investigate the cost of production and set the price which the association was to receive for the milk; and also to investigate the cost of distribution and set the resale price at which all milk produced under the aforementioned contract was to be sold. For the months of June, July and August of 1917, the price to be paid the association was set at 19 cents per gallon for milk containing 3.7 per cent butter fat and the association paid the producers 17½ cents per gallon for the same milk. On August 31 this Board of Arbitration again met and set the price to be paid to the association for the months of September, October and November *

25 cents per gallon for milk containing 3.6 per cent, and the association is now paying its members $23\frac{3}{4}$ cents per gallon for such milk. You will note that the association works on the basis of $1\frac{1}{4}$ cents per gallon, out of which must be paid the operating expenses of the association, and a dividend of 5 per cent on the capital stock of the association, which stock is owned exclusively by the dairymen in proportion to the amount of milk they contract to the association; and after all expenses are deducted and the 5 per cent set aside for payment of dividend on the stock, if there is any balance left, it is prorated to the dairymen in proportion to the amount of milk shipped by them as against the amount of money to be divided.

At a meeting of the board of directors of the association held November 5, a financial report was submitted to them of the business to September 30, 1917. Upon the showing of this report they declared a bonus or additional payment of $\frac{1}{2}$ cent per gallon on all milk shipped during the months of June, July and August, 1917. This shows that the association was doing business on $3\frac{3}{4}$ per cent, which is an exceptionally low figure when you take into consideration that the association also assumes and absorbs all losses on surplus milk. The association has carried an unusually small amount of surplus milk, due to the unusual existing conditions in the dairy business at the present time. In the thirty days ending November 16, 1917, for instance, five dairies, which had been producing approximately 760 gallons per day, had discontinued business; two of them were in the bankruptcy court and three or them had sold their cows outright, discontinuing their business entirely. This condition, they claim, is caused by the unusual high cost of feed and the scarcity of labor necessary to operate the dairies. Had it not been for the organization of dairymen, which made it more nearly possible by collective action to secure a price for milk approximating cost of production, the dairy business of California would have been hopelessly crippled, if not ruined, and the consumers would have been faced with a milk famine of wide proportions, carrying with it prohibitory prices.

CENTRAL CALIFORNIA BERRY GROWERS' ASSOCIATION, INC.

At various times since the office of State Market Director was created by the legislature, complaints were made by berry growers in different sections to the effect that the existing method of marketing berries was chaotic and unprofitable. It was the custom for the berries to be sold on commission and the returns in many cases left the grower nothing for his labor and investment. After a number of conferences, therefore, it was decided to organize as a non-profit corporation and the results of this first effort are shown by the following letter sent to the growers by

Mr. Mark Grimes, the association's president, under date of July 6, 1917:

"San Francisco, California, July 6, 1917.

"Dear Sir: The first crop of berries has been harvested and at this time it is well for us to stop and consider what the association has accomplished, and what must be done if we are to succeed in the future.

"To begin with, the first crop of strawberries for this season is the largest ever on record. Our shipments have three times exceeded 2,000 chests per day. Our average for the season to date is approximately 1,500 chests per day. The lowest price ever set by the association has been \$4.50 and the average minimum price established by the association has been \$5.00. Compare with this the two previous years. When the receipts on the market reached 1,400 chests per day, the price declined to \$3.00 and \$3.50 per chest, and when once the market went down, it was never possible to raise it again until the shipments materially decreased.

"On May 10 of this year berries sold at \$3.50 with only 1,100 chests on the market. The next day, May 11, the association began its operation in San Francisco, and the receipts on that day were 1,400 chests; 300 more. We established a minimum price of \$4.50 per chest. All the dealers predicted our collapse, stating that \$3.00 was enough and \$4.50 absolutely impossible, but even against this antagonism of the dealers and opposition from the retail grocers we succeeded in marketing the entire consignment at \$4.50 and better. This day alone we put into the pockets of the berry-growers of Central California almost \$2,000. Better still, we prevented a break in the market and demonstrated our ability to establish the price.

"On the twelfth day of May the receipts again rose to nearly 1,800 chests, and we again raised the price to \$5.00 as a minimum. Since that day the association has set the price every day, and there has never been a question as to our strength and ability to do so, and every dealer who sold under our price has forfeited his deposit of \$100. Thus we can safely state that the grower has received a better average price than ever before, and he has marketed an immense crop, over 50,000 chests in thirty days. What has brought it about? Without the association, at least one-half of the crop would have sold below the cost of production. We have established only a reasonable price, claiming for ourselves only a fair profit. We point out that the consumer in San Francisco is paying this year precisely what he paid last year. In other words, the speculative margin has been entirely removed, and the grower has received every cent that his berries could be sold for.

"You must, also, bear in mind that there were a great many poor berries consigned to the market this year. Many of our largest patches had reached the four-year mark, and their berries were

soft and small. The red spider has seriously interfered with the quality of the berries in many districts. The labor problem prevented the harvesting of the berries at the proper time. Thus very serious obstacles were placed in our way in our effort to improve the quality.

"To state it plainly, some of the shipments were so inferior in quality that the cannery refused to accept them. To keep these off the market we ordered 15 per cent of everyone's daily pickings shipped direct to the cannery. This was to give you an opportunity to get rid of your poorest berries, and it helped to maintain a better market. Everyone has some poor berries, and we must impress you with the absolute folly of trying to market them. Remember the laws of California plainly provide that all berries must be of uniform quality and maturity and fit for human consumption, and anyone who ships mouldy or green berries is subject to heavy fine. You do not lose by shipping to the cannery because every 100 chests taken off the market means a higher market price.

"It is conceded today on all sides, by commission men, retail grocers and growers, that the association has absolutely proven a success. We have accomplished all that we started out to do. We have obtained a reasonable price for our berries. The strength of the association has been felt all over the berry markets of California.

"Your board of directors and managers have labored faithfully to make a success this year. They have given freely of their own time and money. The finances of the association have barely been sufficient to meet our office requirements and no director has even been paid railroad fare for attending the meetings. It is absolutely necessary to put this association on a firm and lasting basis, because the production is growing; over 500 acres will be planted this season and several hundred acres of this year's plantings will be in full bearing next season. Your greatest problem is the marketing, and it can only be done through a strong organization.

"We must send inspectors all over our districts and educate our growers to the value of better berries for better markets, and to "dump" the poor stuff directly to the cannery. We must seek markets outside of San Francisco and Oakland, and we must establish stations to pre-cool and ship berries out of this state. This year if we had had proper finances we could have shipped two and three carloads a day at prices better than those paid in our local markets. We must establish branches in the leading towns of central California, and when this is done we will never worry about the marketing of our products. I believe that the production could be doubled and still sold at a fair and reasonable price.

"This letter is intended to give you an idea of what we have been doing, of the difficulties we have overcome and the amount of success we have obtained. We want you to know the facts of the case. We want you to realize that the association is an absolute necessity

for the success of the berry growing in central California and that the association this year has been absolutely a success. We extend a cordial invitation to everyone to visit our offices, inspect the marketing and see for yourselves.

Yours very truly,

Signed: MARK GRIMES,
President."

When organizing this association, the growers had one primary object in view, viz, to protect the producers against the loss, so frequently and commonly sustained in marketing a commodity as highly perishable as strawberries.

A board of directors, consisting of eleven members was elected and vested with powers to establish and carry out some business policy under which the association would attempt to accomplish this end.

This board decided not to establish some new marketing system, but to place under its supervision, as far as possible, existing marketing facilities; hence all selling this season was done through the commission houses, the number of which was increased to twelve in Oakland and fourteen in San Francisco.

The next step taken by the board was to determine upon the cost of producing and delivering strawberries to the markets, based on present cost of materials and labor, etc. This being determined, a minimum selling price for the season was then established, based on this cost of production plus the additional cost of marketing.

It being evident from the experience of past years, that the markets of San Francisco and Oakland have not the capacity to consume all the strawberries produced by the members of the association at this minimum price, nor at any price, it became necessary to dispose of a certain per cent of the crop through other channels.

All berries not sold at the association price, or better, on the open markets were diverted to a cannery at a certain hour each day to avoid further loss by deterioration. Whenever it became necessary to prevent loss by an oversupplied market, a certain per cent of the crop was delivered directly to various canners and preservers with whom the association had arranged for such deliveries. Only 35 tons of strawberries were delivered to the cannery as an unsold surplus; 433 tons were sold to various canners direct, making a total of 468 tons for canning and preserving purposes at from 4 to 7 cents per pound.

The retail markets of San Francisco and Oakland consumed 101,267 chests of 60 pounds each or a total of 3,038 tons. As many as 2,020 chests were sold in a single day at not less than the minimum price of \$4.50 per chest. Including berries sold for canning purposes, the association marketed during the present season 112,102 chests at an

average price of about \$6.00 per chest at an operating cost of 5 cents per chest or less than 1 per cent.

Co-operative marketing has proven so satisfactory that the growers of other varieties of berries have requested to be admitted to membership in the association, and both new and old members are now signing membership contracts for a term of three years. Over eighty per cent of the berry acreage tributary to the Bay cities has been signed up and the future of the association is assured.

Within a year the organization has not only been perfected but has successfully marketed the season's crop of berries. Its membership covers six counties and includes approximately 80 per cent of the berry acreage in the districts tributary to San Francisco.

All this had been done without adding the slightest burden to the consumer, who paid substantially the same price for his berries this past year that he did during the previous years when the grower was being forced to the wall by being unable to get cost of production. Furthermore, despite the higher prices that consumers were called upon to pay this past year for most products, due to increased cost of labor, etc., strawberry consumers paid no more as a rule than in preceding years.

By organization the growers were enabled to eliminate waste in the cost of distribution and to market every pound of their product at a living price. Without organization much of their crop, as in the past, would have gone to waste or been sold at a loss.

The State Market Director is personally represented on the Board of Directors and on the Executive Committee by Mr. Louis E. Townsend.

PACIFIC RICE GROWERS' ASSOCIATION.

The nucleus of the present Pacific Rice Growers' Association was organized at Biggs in 1915, under the same name. It was local in character and represented only a fraction of the rice acreage. With a view to perfecting a stronger association, I called a conference of rice growers to meet in my office on June 29, 1916, and those who responded were constituted a promotion committee to reorganize along broader lines. The organization is now actively engaged in marketing the crop of its members and has taken its place among the permanent cooperative associations of California. It was organized to bring about certain definite betterments in the rice industry, namely:

(a) A more scientific method of production, made necessary by the fact that (as the result of ignorance and inexperience in raising the crop) much inferior rice has been marketed. This, in the markets of

the world, has seriously injured the good name of California rice, to the present and future disadvantage of the industry.

(b) A proper system of grading and standardizing, so that purchasers may buy with safety. This is of special importance in view of the possibility of capturing certain markets of importance in other countries.

(c) Federal legislative action to secure adequate protection for this infant agricultural industry, in view of the fact that rice will probably soon be on the free list, which will make it very difficult, if not impossible, for California rice producers successfully to compete with rice grown in the Orient.

(d) A national publicity campaign along the lines successfully followed by the California citrus growers and raisin growers, and by the national distributors of milk products, who have all greatly increased consumption in their respective activities by collectively conducting national educational campaigns.

(e) The promotion of a spirit of cooperation among the various racial groups engaged in the production of California rice, in order that they may be able to act as a unit in marketing, however widely they may differ in other respects.

(f) Scientific collective marketing, which will minimize the evil result and the demoralizing marketing effects of thousands of individual growers ignorantly and unwittingly underbidding each other, thereby contributing to the sole benefit of the buyer.

The association's present membership includes about 225 of the leading rice growers of the state. It is estimated that these members have this year produced about 1,500,000 bags of rice, out of the total of about 2,500,000 bags.

The association has offices in the Fruit Building, Sacramento, and its president is J. H. Stephens, of that city.

The State Market Director is personally represented on the board of directors and the executive committee by Mr. Walter M. Smith.

THE CALIFORNIA BEAN GROWERS' ASSOCIATION.

At the solicitation of some of the largest bean growers of the state, a number of conferences have been held during the present year with a view to bringing the growers together for collective marketing. The lima bean growers have for a long time been strongly organized in the southern part of the state and it was at first thought possible to extend the limits of that organization so that it would include the growers of other varieties of beans, which could then be marketed by the same distributing machinery. For the present, however, this plan has been

abandoned and the other bean growers are now preparing to organize an independent association.

The proposed California Bean Growers Association is to be a non-profit organization and its fifteen directors are to be elected from the following counties: San Joaquin, Sacramento, Sutter, Colusa, Yuba, Yolo, Solano, Stanislaus, Merced and Fresno. Provision is made, however, for a director from any other bean producing county which may eventually come into the organization. The plan of organization provides that the interest and voting power of its directors shall be according to tonnage on the basis of one vote and unit of interest for each ton of beans produced, without regard to the particular variety of the grower's beans.

The crop sales agreement is to cover a period of 1918 to 1920 and it provides that the management may charge a maximum of \$1.00 per ton for selling costs and other expenses and that any surplus which may remain may be used for association purposes or be refunded to the individual growers, according to their tonnage. An important function which the association will perform is that of providing rules and regulations and inspectors for standardizing the quality, method and manner of handling, cleaning, picking and shipping beans. To provide against "welching" on the part of subscribers, the growers signing contracts agree to pay to the association 1 cent for each pound of beans marketed otherwise than through the association, this being considered as liquidated damages for the breach of contract. For the purpose of conducting the organization campaign, the subscribers are to create a promotion fund by paying 2 cents for each hundred pound bag of beans produced by them. The objective of the campaign will be the signing up of growers producing an aggregate of 400,000 bags, and the time limit for securing such signatures expires on February 1, 1918.

The Organization Committee is composed of G. A. Turner of Stockton, Lincoln White of Sacramento and A. H. Poore of Newman. Mr. Turner is designated as Trustee of the Promotion Funds.

It is expected that this organization will place the bean industry of California on a new footing, not merely for the period of the war but for the future as well. Considering the standing of California as a bean producing state, with a normal production of from three to five million bags of beans, it is easy to see how vital it is to these individual growers that they should have a scientific method of marketing the valuable crop. Such an organization will be able to intelligently advise growers in different districts along cultural lines, making suggestions regarding the varieties most likely to meet a ready sale and will also greatly improve the methods of harvesting and cleaning the product.

CALIFORNIA HONEY PRODUCERS EXCHANGE.

There have long been in existence several associations of California beekeepers, which have done excellent work, especially along cultural lines and in the direction of keeping their scattered members informed regarding the market conditions. As previously reported, it has long been felt by leading beekeepers that the scope of these activities might be so broadened as to include the actual marketing of the product of their members.

On several occasions the leaders of the industry have been interrogated but up to date the time for such organization has not seemed ripe. The urgent need for developing a scientific method of standardizing the many types of honey produced in the state, as well as the desirability of seeking better ways of marketing our vast production all over the world, have aroused new interest of late.

After many conferences with Mr. M. C. Richter, a prominent beekeeper and secretary of the State Beekeepers' Association, a conference has been called to meet in Los Angeles on December 28, 1917, not only to discuss the advisability of turning the existing organizations into a state marketing association, but actually to work out the details thereof. Should this association be formed, it will place California on a new basis, so far as the production of the world's honey is concerned. This is emphasized by the following statement published editorially in *The Western Honey Bee*:

"It would seem that the hard work and sacrifice undergone by many of the older members in the craft in days past is about to bear fruit, and that our branch of agriculture is about to be recognized at its true value. The addition of more than three million dollars value to the edible products of the state, and that product, too, one that would otherwise be an economic waste, is not to be lightly overlooked.

"All we need now is organization. 'United, we stand'; divided, we are at the mercy of unscrupulous supply dealers and honey brokers.

"Wake up, beekeepers, and see the aid that is offered you.

"'Uncle Sam' has assigned a man from the Division of Agriculture who will be here in a few weeks to assume charge of state-wide extension work.

"The state university, through Professor Coleman, promises two series of short courses in apiculture annually, one at the university farm at Davis, the other at the state experiment station at Riverside.

"The State Farm Bureau stands ready to aid you in every way, through its Farm Advisers, providing centers for your meetings and methods of notifying your members, as well as a leader for your work.

"Even a large share of the expense of organization management is provided for by our affiliation with the other produce exchanges

already formed, as we need to pay only our pro rata of the cost of these central exchanges.

"The formation of grading standards is being taken up by a new subdivision in Dr. Phillips' bureau, and we will soon have a guide to grade our honey by.

"Our state offers the services of its State Market Director, Colonel Weinstock, and his attorney, to aid in forming state and local exchanges, to affiliate with the other produce exchanges of the state, that will cooperate in the marketing of our products and the buying of supplies.

"The Bureau of Estimates is extending and simplifying its work monthly, and expects next year to give its up-to-date market quotations from at least three central points on the Pacific coast, every two weeks, all of which are not only absolutely free to all who apply, but will be published monthly by the *Honey Bee*.

"Fellow beekeepers, all you need today is a proper ambition to go ahead and do things!"

The subject was presented to a recent state convention of beekeepers and the following resolution was passed:

"WHEREAS, It is the sense of this convention that the beekeepers of California should be organized into an effective marketing association, in order that the industry should be developed to its fullest possibilities; be it therefore

"Resolved, That the secretary of this association be hereby authorized to appoint a Promotion Committee of ten or more, to which the secretary is to be added, to represent the various beekeeping districts of the state, and that such Promotion Committee meet at the call of the secretary at an early date in the city of Los Angeles, to form and perfect an organization campaign; and that the State Market Director be invited to meet with such Promotion Committee at such time and place.

M. C. RICHTER, Secretary.

"The following have been selected as members of the Promotion Committee, with the territory assigned:

"Willis Lynch—Madera, Stanislaus and San Joaquin counties.

"Louis Sinn—Tulare, Kern, Kings.

"Oliver Parkes—Sacramento, Yolo.

"Harry Hill—Butte, Glenn.

"S. A. Carhart—Inyo.

"J. Edgar Ross—Imperial.

"W. J. Oates—Monterey, San Luis Obispo, Santa Barbara.

"Newton Cale—Ventura.

"C. F. M. Stone—Los Angeles.

"Geo. J. Brown—Orange.

"A. K. Whidden—San Bernardino, Riverside.

"J. F. Kerr—San Diego.

"The members of the committee are asked to obtain as much information as may be possible regarding the probable needs of the beekeepers in their assigned districts in the way of supplies of all kinds, especially of cans, cases and foundation, and the possible amount of honey and wax to be produced next season."

**CALIFORNIA FEDERATION OF FARMERS' CO-OPERATIVE
MARKETING ASSOCIATIONS.**

A great forward step in the marketing of California products throughout the world was taken this year in the formation of the California Federation of Farmers' Co-operative Marketing Associations.

It has long been felt that such an organization should be effected. It stands to reason that if individual growers can by collective action achieve economies and effectiveness that no growers could accomplish singly and alone, in like manner a federation of co-operative marketing associations can bring about results not possible to any one individual association, however strong. Up to the date of the creation of a State Market Commission, however, there had been no central, unbiased organizing force available.

Sentiment in favor of such a federation began to crystallize in August, 1917, when the Prune and Apricot Growers, Inc., requested the State Market Director to call a conference to consider the matter. Thereupon the officers of the leading co-operating marketing associations were called to meet on August 27, 1917, in the office of the State Market Director. This call was responded to by representatives of the following organizations:

- California Prune and Apricot Growers.
- Sebastopol Apple Growers' Union.
- Poultry Producers of Central California.
- California Almond Growers' Exchange.
- California Associated Olive Growers.
- Berry Growers of Central California.
- Milk Producers of Central California.
- Poultry Producers of Southern California.
- California Peach Growers.
- California Associated Raisin Company.

The discussion at this conference developed the fact that none of the marketing associations were interested in all of the objectives to be sought, but that every association was interested in one or more of such objectives; and it was further recognized that no one association could hope singly to accomplish any purpose for which it was organized so well as if affiliated with one or more other associations organized for kindred purposes. The State Market Director called attention to the fact that if the consumption of California products by each American family could be increased only two cents a week, this would mean an increased revenue to the state of \$100,000,000 a year. The following resolutions were therefore adopted by this conference:

RESOLUTIONS.

Recommending a State Federation of Farmers' Cooperative Marketing Associations.

WHEREAS, At a conference called by State Market Director Weinstock held this twenty-seventh day of August, 1917, in his office at 525 Market street, San Francisco, California, a discussion was held relative to the wisdom of federating the farmers co-operative marketing associations of California; and

WHEREAS, Said discussion developed the fact that among the common objectives possible by federated effort are:

(a) The further elimination of waste in the cost of distribution of California farm products;

(b) The development of foreign markets by the joint employment of foreign sales organizations;

(c) More economic distribution of California farm products by the joint employment of brokers or salaried agents at Eastern marketing points;

(d) The elimination of waste through joint effort in national publicity and educational advertising;

(e) The joint employment of an all-year-round sales organization to solicit orders throughout the American home markets from retail dealers for the various California farm products, in their respective seasons, to be handled through the established wholesale channels;

(f) The joint employment of demonstrating organizations to aid, encourage and educate the retail dealers throughout the country to specialize on California food products;

(g) Securing more favorable state and federal legislation in the interest of the California farmer;

(h) Keeping a watchful eye on federal tariffs likely to affect unfavorably the prosperity of California producers and using joint influences against the enactment of possible harmful tariffs;

(i) Using joint influence in securing proper transportation and transportation rates and facilities for California farm products;

(j) Collective buying of supplies used in common for productive or distributive purposes;

(k) Securing through joint effort financial accommodations in the world's financial markets at the world's lowest interest rates;

(l) The interchange of thoughts, ideas and experiences along progressive lines among the trained and expert representatives of the adhering associations, for the common good;

(m) The uniformity of organizations and the dissemination of information relative to laws proposed and adopted, and opinions of courts, commissions and tribunals relating to the scope and limitations of the activities of the respective associations; and

WHEREAS, We realize that not every prospective adhering association is interested in ALL of these objectives, yet we believe that every such association is sufficiently interested in one or more of these objectives to warrant an adherence to the proposed state federation; and

WHEREAS, We believe that such a state federation of farmers' marketing associations is not only in the interest of the producer, but is also greatly in the interest of the consumer because of its potential power to still further eliminate waste in the cost of distribution, as well as to still further cut out speculation in California foodstuffs; all of which spells fairer prices to the producer and lower prices to the consumer; and

WHEREAS, By increasing the consumption of California food products at the rate of only two cents per week, per capita, on the part of the American people, it would mean an increase in the annual demand for California farm products of about \$100,000,000, thus adding enormously to the prosperity of the state; and

WHEREAS, It would seem that by federated effort in developing our American markets this desired result of vastly increased demand for our farm products should be a matter of comparatively easy achievement; be it therefore

Resolved. That we, the undersigned representatives of the following marketing associations assembled in conference, do hereby recommend to our own associations, and also to such associations as may not be represented at this conference, each to appoint a delegate to meet in the office of the State Market Director on Monday, September 24, 1917, at 10 o'clock a.m., for the purpose of organizing and perfecting a state federation which shall have for its purpose the carrying out of the foregoing objectives and such other objectives as from time to time may be determined upon by the federation, under such rules, regulations, by-laws, and agreements as the federation may enact.

Resolved. That the State Market Director is hereby requested to place at the earliest day in the hands of all California farmers' co-operative marketing associations a copy of these resolutions, which shall be regarded as being in the nature of an invitation on the part of this conference for such associations to become adherents to the proposed state federation and to send a representative to the meeting to be held for the purpose of effecting a permanent organization on September 24 next.

(Signed) H. G. COYKENDALL,
Prune and Apricot Growers.
E. C. MERRITT,
Sebastopol Apple Growers' Union.
J. H. BARBER,
Poultry Producers of Central California.
GEO. W. PIERCE,
California Almond Growers' Exchange.
J. C. MARTIN, JR.,
California Associated Olive Growers.
AARON SAPIRO,
Berry Growers of Central California;
Milk Producers of Central California.
W. A. SCHOFIELD,
Poultry Producers of Southern California.
J. F. NISWANDER,
California Peach Growers.
F. A. SEYMOUR,
California Associated Raisin Company.

These resolutions were accordingly sent to all of the California co-operative marketing associations and they were requested to take executive action and send delegates (with power to act) to a second conference.

This conference met in the office of the State Market Director on October 22, 1917, and the Federation was duly formed, the accredited delegates signing the following agreement:

CALIFORNIA FEDERATION OF FARMERS CO-OPERATIVE MARKETING ASSOCIATIONS.

I.

The undersigned associations and corporations do hereby organize the California Federation of Farmers Co-operative Marketing Associations.

II.

Purposes.

The purposes of this Federation are:

(1) To secure co-operation on all problems of common interest to the said marketing associations.

(2) To secure an interchange of thoughts, ideas and experiences along progressive lines among the representatives of the member associations.

(3) To secure collective data on forms of organization and the dissemination of information relative to laws proposed and adopted, opinions and judgments of courts, commissions and tribunals involving the scope and limitation of the activities of co-operative marketing associations.

(4) To develop plans for:

(a) The further elimination of waste in the cost of distribution of products;

(b) The joint employment of brokers or salaried agents at Eastern marketing points;

(c) The joint employment of an all-year-round sales organization for the American home markets for the various California farm products, in their respective seasons, to be handled through the established wholesale channels or otherwise;

(d) The joint employment of demonstration organizations to aid, encourage and educate the retail dealers throughout the country to specialize on California food products;

(e) Joint effort in national publicity and educational advertising;

(f) Development of foreign markets by the joint creation of foreign-sales organizations.

(5) To suggest and carry out plans for:

(a) More favorable State and Federal legislation in the proper interest of California farm products;

(b) Favorable Federal tariffs affecting California farm products and joint opposition against the enactment of possible harmful or unfair tariffs.

(6) To develop plans for the collective purchase and production of supplies used by all or several of the associations for productive or distributive purposes.

(7) To develop plans for co-operation in securing proper transportation and proper transportation rates and facilities for California farm products.

(8) To develop plans for securing financial accommodations in the primary financial markets at the lowest possible interest rates.

(9) To develop plans for creating and maintaining a labor bureau or other methods for handling the labor problems of farmers and marketing associations.

(10) To suggest and do any and all proper things which, at any time or place, may be advantageous and beneficial to co-operative marketing associations in general and to the member-associations in particular.

It is understood that all of the undersigned associations and corporations are not directly interested in all of the above-named purposes, but all of the undersigned associations and corporations are interested in several of them; and each and every one of the above-named purposes affects directly or indirectly several of the undersigned associations and corporations and co-operative marketing associations in general.

III.

Membership.

The said California Federation of Farmers Co-operative Marketing Associations shall be composed of the undersigned associations and corporations, and of such other co-operative marketing associations as may from time to time be admitted to membership herein, under terms and conditions not more favorable than those of the present and undersigned members, by vote of the Executive Council.

IV.

Organization.

The said Federation is hereby organized by the duly authorized and accredited representatives of the undersigned associations and corporations assembled in general meeting.

At general meetings of the Federation, each association or corporation shall have one vote for every \$500,000 or major fraction thereof of farm products handled by the said association or corporation during the preceding year. All such figures shall be based on prices realized f.o.b. sales point, California, confirmed by the Executive Council of the Federation, and when and as confirmed shall become absolute and final for all purposes hereof. The Executive Council shall make and announce such financial figures based on the figures presented by the respective associations, by July 1st of each year after the year 1917. For the year 1917, such final figures, together with estimates for associations without a full year's experience, shall be announced by the Executive Council on or before November 15, 1917.

No association or corporation shall have less than one vote in the Federation; nor shall any association or corporation have more than twenty votes therein.

Each association shall be entitled to be represented at meetings of the Federation or otherwise by as many delegates as it may have votes; but it may select any less number of delegates, in its discretion, and confer upon them its full voting power and instruct them as to voting power, in its own discretion.

V.

Executive Council.

The Federation shall have an Executive Council to be composed of the Chairman of the Federation, the Secretary thereof, one person to be selected by and to hold office at the discretion of the Market Director of the State of California, and four members to be elected by the Federation annually at its September meeting, to hold office until the election of their successors.

The said Executive Council shall have full power to initiate and carry out plans in accordance with any and all of the purposes hereinabove outlined, subject to the general supervision, approval or instructions of the Federation in general meeting assembled, and subject to the further provisions and limitations herein.

Vacancies in the Council shall be filled by election by the remaining members, and the members so elected shall hold office until the election of their successors at the September meeting of the Federation. The State Market Director shall fill the vacancy created by the withdrawal or inability to act of the member selected by him.

VI.

Officers.

The officers of the Federation shall be:

(a) A *Chairman* of the Federation, who shall also act as *Chairman of the Executive Council*, to be elected annually by the Federation at its September meeting, to hold office until the election of his successor.

(b) A *Recording Secretary*, who shall be elected annually by the Federation at its September meeting, to hold office until the election of his successor.

(c) An *Executive Secretary* of the Federation, who shall act as the Director of Activities therein, to be selected by the Executive Council, and to hold office at the discretion of the Council.

The Chairman shall preside at all meetings of the Federation and the Executive Council; call meetings of the said Council when he deems it advisable; and in general, supervise the proceedings and activities of the Federation.

The Recording Secretary shall keep a record of the proceedings of the Federation meetings and perform such other duties as may from time to time be assigned to him by the Federation or the Executive Council.

The Executive Secretary shall coordinate the activities of the Federation and its Circles; send out notices of meetings; act as Secretary and keep the minutes of the Executive Council and of each and all of the Circles of the Federation; report to the Executive Council semimonthly the record and activities of each Circle; prepare the general publicity for the Federation itself, and perform such other duties and activities as may from time to time be designated by the Federation or the Executive Council.

The Federation shall originally select Counsel to act for and advise the Federation and its officers, the Executive Council and each of the Circles of the Federation; and the Executive Council shall determine the compensation of such Counsel and all the pertinent terms of his employment.

The Executive Council shall fill any vacancies caused by the withdrawal or inability to act of any officer or the Counsel of the Federation, such action to hold until the election of their respective successors at the annual September meeting.

VII.

Salaries and Expenses.

The Executive Council shall incur such expenses and engage and remove such employees as it may deem proper for the general purposes hereof, subject to the limitations herein, and the Executive Council shall determine in its discretion the compensation to be paid to the Secretary and any other officer or employee and the Counsel for the Federation.

The Executive Council may require a bond to be furnished by the Secretary or any other employee to secure faithful performance of their respective duties and obligations.

Each member-association shall bear all the expenses of its respective delegates; but the Federation shall pay the expenses of attendance of the members of the Executive Council and the expenses of attendance of the first meeting of each of the Circles of the Federation.

No indebtedness or obligation shall be incurred by the Federation or any officer or employee thereof except as herein specified, and the member-associations shall have no obligation or liability hereunder except as specified in paragraph VIII hereof, or as expressly assumed by written agreement or contract.

VIII.

Fees.

The undersigned associations and corporations, and all associations which may hereafter be admitted to membership herein, shall pay to the Federation an annual membership fee of one-thirtieth of one per cent of the value of the products handled by them for each year, such figures to be made as hereinabove specified in paragraph IV. Said membership fee shall be payable on or before November 1st of each year, to the Federation, and shall be deposited, together with any other funds of the Federation, at the instruction of the Executive Council, subject to withdrawal as such Council may determine.

No member-association shall pay an annual membership fee of less than \$100.00 nor more than \$5,000.00.

The funds of the Federation shall be used only for the purpose of paying the general and overhead expenses thereof and shall not be used for carrying out the activities of the Circles hereinafter described.

IX.

Circles.

The active work of the Federation shall be carried on through seven (7) Circles, each Circle to be composed of from three to seven individuals selected by the Chairman, in his discretion, from the delegates or officers or directors or employees of the various member-associations and corporations, each Circle to represent and concentrate the activity of the Federation in its particular object and purpose. The said Circles may receive advice from the Executive Council of the Federation, but shall not be obligated to accept the same; but each particular Circle may be prohibited from doing or publishing anything whatsoever as such Circle or in the name of such Circle or in the name of the Federation, by act of the general Federation, or by a resolution adopted by at least five (5) members of the Executive Council of the Federation. The said Circles shall cover the following subjects:

- (1) Domestic Markets and Advertising.
- (2) Foreign Markets.
- (3) Law and Legislation.
- (4) Tariffs and Transportation Problems.
- (5) Cooperative Purchasing.
- (6) Labor.
- (7) Finance and Credits.

The Executive Secretary shall be ex officio Secretary of each of said Circles; and the Chairman shall be ex officio a member of each of said Circles, and each Circle shall elect its own Chairman.

The Counsel of the Federation shall be Counsel for each and all of the said Circles.

Each Circle shall develop a plan or plans for solving any or all of the problems included in the general purpose and function of such Circle; and each Circle shall prepare a plan for its work, in detailed contract form, to be presented to all of the member-associations and corporations, and to be accepted by and binding upon only such associations and corporations as elect in writing to become a party to the contract of each such Circle and expressly accept the financial and other obligations therein. The Federation as a whole shall not be obligated directly or indirectly for any of the contracts or activities of any of the Circles thereof, unless by unanimous vote of the Executive Council and by unanimous vote of the Federation in general meeting assembled any particular contract or activity is accepted as the contract, activity or obligation of the Federation itself.

Each such contract to be presented and circulated by each Circle shall contain in clear terms the purpose to be effected and the estimated cost thereof to each accepting association, and no association or corporation shall be bound or obligated in any degree except for such activity and under such contract as it may voluntarily and expressly agree to accept.

The number of Circles may be enlarged and the functions of any Circle may be changed and any Circles may be combined, either for a specific purpose or for any and all purposes and functions, by the affirmative vote of at least five members of the Executive Council.

X.

Property Rights.

All property rights or obligations hereunder shall be held or assumed in the same proportion as the respective fees of the member associations.

XI.**Withdrawals and Dismissals.**

Any member-association may withdraw from the Federation by sending notice registered mail to the Executive Secretary at least thirty (30) days before September meeting of any year, such withdrawal to become effective as of October 31st following.

Any member-association may be dismissed from the Federation for such cause as may by the Federation be deemed proper by a three-fourths vote of the member associations, excluding for this purpose the vote of the association in question.

Upon withdrawals or dismissal, each said association forfeits all right and interest in any funds or property of the Federation, but remains liable under the terms of any express contract or agreement theretofore accepted by it and not then terminated.

XII.**Office.**

The office of the Federation shall be at San Francisco, California, and the Secretary shall open permanent headquarters as and where directed by the Executive Council.

XIII.**Meetings.**

All meetings shall be held at the office of the Federation; but the Council Circles may be permitted by the Executive Council to meet at the convenience of their respective members.

The Federation shall meet at least four (4) times a year, on the last Monday of March, June, September and December of each year, and on other occasions upon call by the Executive Council.

The Executive Council shall meet at least once a month, and as often as may be necessary in the judgment of the Chairman.

The Circles shall meet as and when each particular Circle may determine.

XIV.**Term.**

This Federation agreement shall extend for the term of ten years; and may be renewed at the discretion of the then member-associations.

Withdrawal of an aggregate of one-half of the voting membership shall automatically compel the Executive Council to terminate the Federation, but all express agreements and contracts shall not thereby be extinguished unless they so provide in specific terms.

XV.**Amendments.**

This general agreement of associations may be amended by two-thirds vote of the associations and corporations represented by membership in the Federation.

Read, considered and adopted by the following associations and corporations, by their respective accredited representatives, at San Francisco, California, this twenty-second day of October, 1917.

CALIFORNIA PRUNE AND APRICOT GROWERS, INC.,
By Aaron Sapiro.
CALIFORNIA ASSOCIATED OLIVE GROWERS, INC.,
By J. C. Martin, Jr., President and Manager.
CALIFORNIA PEACH GROWERS,
By J. F. Niswander, Vice President.
CALIFORNIA ASSOCIATED RAISIN COMPANY,
By F. A. Seymour, Assistant to President.
CENTRAL CALIFORNIA BERRY GROWERS, INC.,
By Mark Grimes, President.
SEBASTOPOL APPLE GROWERS UNION,
By E. C. Merritt, President.
POULTRY PRODUCERS OF CENTRAL CALIFORNIA,
By Chas. Romwall, President.
POULTRY PRODUCERS OF SOUTHERN CALIFORNIA, INC.,
By J. M. Davison, President.
ASSOCIATED DAIRYMEN OF CALIFORNIA, INC.,
By J. M. Henderson, Jr., President.

The organizations signing as charter members are shown in the following list:

| Name | Annual value of output | Voting power | Fee |
|---|------------------------|--------------|------------|
| California Peach Growers..... | \$5,000,000 | 10 | \$1,666 66 |
| California Associated Raisin Company..... | 11,000,000 | 20 | 3,666 66 |
| California Prune and Apricot Grower..... | 8,000,000 | 16 | 2,666 66 |
| Poultry Producers of Central California..... | 1,800,000 | 4 | 600 00 |
| Poultry Producers of Southern California..... | 751,000 | 2 | 250 33 |
| California Associated Olive Growers..... | 350,000 | 1 | 116 66 |
| Central California Berry Growers..... | 500,000 | 1 | 166 66 |
| Sebastopol Apple Growers..... | 400,000 | 1 | 133 33 |
| Associated Dairymen of California..... | | | |

This list of signatories by no means represents the strength of the federation. for a number of other associations had notified me that they were in full sympathy with the movement, but, for different reasons, were not prepared to sign at present. Still others expressed a wish to affiliate in certain activities without coming into the federation membership.

The California Fruit Growers Exchange (of Los Angeles), for instance, has a wonderful organization of its own, and it was not expected that it would at once recognize the benefits to be derived by co-operation, with other associations—and it was also anticipated that the California Fruit Exchange (of Sacramento) would be guided by the action of the citrus association. It was hoped, however, that these two Exchanges might be induced to federate with other co-operative marketing associations, in order that the others might be assisted by their wider experience.

It developed, however, that the California Fruit Growers Exchange is not interested in the objects of the federation except in that which relates to legislative matters. Its official view, as expressed by Mr. E. G. Dezell, assistant general manager, under date of August 30, 1917, is as follows:

"The objectives outlined in the resolutions adopted at the meeting of the twenty-fourth are about in line with those stated in your call and '(g) Securing more favorable state and federal legislation in the interest of the California farmer' is the only one concerning which we feel this organization could cooperate with other agricultural associations to advantage in furthering. We will be glad to assist the federation, if formed, in any work along these lines.

"Many of our constituent associations are supporting the Farmers' Protective League in its work along these lines and this organization, through the Citrus Protective League, has assisted them in certain campaigns, particularly the universal eight hour law and the single tax measure.

"Our people feel that there is a need for a strong, competently managed organization to represent all California agriculturists in legislative matters to secure needed laws and to keep informed of and point out to our legislators the features of any and all proposed legislation that would be harmful to the interests of the workers of the soil.

"The matter is so important that we feel it well deserves the undivided attention of some suitable body, and we believe that diversified interests could much easier work together and stay together in an organization with this one object than if it also attempts to handle commercial matters, many features of which could not always be of like or equal interest to all members."

The members of the federation believe, however, that the objectives sought are quite as vital as any involving legislative matters. They have therefore proceeded with their organization, but with the hope that the California Fruit Growers Exchange will eventually co-operate in the other objectives of the federation.

At this date (December 1, 1917) the federation is not fully perfected, but has the following temporary organization:

President—Wylie B. Giffen, Fresno.

Secretary—Aaron Sapiro, San Francisco.

Executive Secretary—D. A. Field.

Executive Committee—

Wylie B. Giffen, Fresno.

H. G. Coykendall, San Jose.

J. F. Niswander, Fresno.

J. M. Henderson, Jr., Sacramento.

Trustee—

Harris Weinstock, San Francisco.

The office of the federation will be located at 508 Underwood Building, San Francisco.

FINANCIAL STATEMENT OF THE STATE MARKET COMMISSION OF CALIFORNIA.

For the period beginning November 1, 1916, and ending October 30, 1917.

NOTE.—From November 1, 1916, to July 31, 1917, the office was operated under the appropriation of the previous "State Commission Market Act"; since July 31, 1917, the expenditures have been made from the appropriation for the "State Market Commission." In order that the statement may be complete and accurate, the distinction between the two appropriations has been obliterated and the table therefore shows all the expenditures of the period, both for the "State Commission Market" and the succeeding "State Market Commission." Since the new law went into effect, it has been found that the services of the statistician could be dispensed with, and this economy has resulted in a subsequent saving of one-fifth of the total operating expense. Salaries.

| | | |
|-----------------------------------|------------|-------------|
| Stenographers | \$2,250 38 | |
| Extra clerical help | 221 85 | |
| Messenger | 517 36 | |
| Special investigator | 10 00 | |
| Miscellaneous— | | |
| Statistician | \$2,000 00 | |
| Inspector | 19 95 | |
| | <hr/> | |
| | 2,019 95 | |
| | | \$5,028 54 |
| Traveling expenses. | | |
| Director | \$1,061 61 | |
| Secretary | 15 75 | |
| Employees | 525 66 | |
| | <hr/> | |
| | | 1,603 02 |
| Office supplies | \$45 10 | |
| Printing | 1,052 59 | |
| Multigraphing | 122 45 | |
| Office rent | 1,042 25 | |
| Freight and express | 33 34 | |
| Postage | 635 08 | |
| Telephone and telegraph | 619 81 | |
| Clippings | 60 00 | |
| Subscriptions, books, etc. | 81 72 | |
| Water and towel service | 49 00 | |
| Miscellaneous | 119 45 | |
| Office furniture and equipment .. | 372 13 | |
| Sacramento office—services | 550 00 | |
| Revolving fund | 250 00 | |
| Remitted to State Treasurer | 36 00 | |
| | <hr/> | |
| | | 4,026 67 |
| | | <hr/> |
| | | \$10,658 23 |

APPENDICES.

APPENDIX A.**PRINCIPAL CO-OPERATIVE MARKETING ASSOCIATIONS OF CALIFORNIA.****Citrus fruits.**

California Fruit Growers Exchange, Los Angeles.
Mutual Orange Distributors, Redlands.

Deciduous fruits.

California Fruit Exchange, P. O. Box 752, Sacramento.
Central California Berry Growers Association, 338 Consular Building, San Francisco.
California Pear Growers Association, Martinez.
Sebastopol Apple Growers Union, Sebastopol.
Vacaville Fruit Growers Association, Vacaville.
Watsonville Apple Distributors, Watsonville.

Dried fruits.

California Associated Raisin Company, Holland Building, Fresno.
California Peach Growers, Holland Building, Fresno.
California Prune and Apricot Growers, San Jose.

Dairy products.

Associated Dairymen of California, Fruit Building, Sacramento.
Associated Milk Producers, 53 Clay street, San Francisco.
California Milk Producers Association, 1505 South Main street, Los Angeles.
Milk Producers Association of Central California, 7 Bacon Building, Oakland.
Milk Pooling Association of San Diego County, Second and Broadway, San Diego.
Northern California Milk Producers Association, 308 Farmers and Mechanics Bank Building, Sacramento.
San Joaquin Valley Milk Producers Association, Cory Building, Fresno.

Nuts.

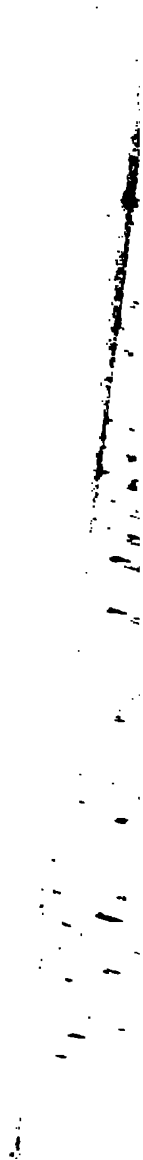
California Almond Growers Exchange, 311 California street, San Francisco.
California Walnut Growers Association, 1326 East Seventh street, Los Angeles.

Poultry.

Poultry Producers of Central California, 757 Sansome street, San Francisco.
Poultry Producers of Southern California, 1500 Industrial street, Los Angeles.

Miscellaneous.

California Associated Olive Growers, 312 Balboa Building, San Francisco.
California State Beekeepers Association, Modesto.
California Lima Bean Growers Association, Oxnard.
Escondido Vegetable Growers Association, Escondido.
Lima Bean Growers Association, Oxnard.
Pacific Rice Growers Association, P. O. Box 434, Sacramento.
Thermal Cantaloupe Growers Union, Thermal.
Turlock Merchants and Growers, Turlock.



APPENDIX A.**PRINCIPAL CO-OPERATIVE MARKETING ASSOCIATIONS OF CALIFORNIA.****Citrus fruits.**

- California Fruit Growers Exchange, Los Angeles.
- Mutual Orange Distributors, Redlands.

Deciduous fruits.

- California Fruit Exchange, P. O. Box 752, Sacramento.
- Central California Berry Growers Association, 338 Consular Building, San Francisco.
- California Pear Growers Association, Martinez.
- Sebastopol Apple Growers Union, Sebastopol.
- Vacaville Fruit Growers Association, Vacaville.
- Watsonville Apple Distributors, Watsonville.

Dried fruits.

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- California Peach Growers, Holland Building, Fresno.
- California Prune and Apricot Growers, San Jose.

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- California Milk Producers Association, 1505 South Main street, Los Angeles.
- Milk Producers Association of Central California, 7 Bacon Building, Oakland.
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Nuts.

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- California Walnut Growers Association, 1326 East Seventh street, Los Angeles.

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- Lima Bean Growers Association, Oxnard.
- Pacific Rice Growers Association, P. O. Box 434, Sacramento.
- Thermal Cantaloupe Growers Union, Thermal.
- Turlock Merchants and Growers, Turlock.

APPENDIX B.

STATE MARKET COMMISSION ACT OF CALIFORNIA.
CHAPTER 802.

An act to provide for the creation of the "state market commission" and the organization thereof; to define its other duties and powers; to create the position of state market director; to define his duties and powers; to create the state market commission fund, and a revolving fund; and repealing that act known as "state commission market act," approved June 10, 1915, chapter seven hundred thirteen of the Statutes of 1915, and all other acts and parts of acts in conflict with the provisions of this act.

[Approved June 1, 1917.]

The people of the State of California do enact as follows:

SECTION 1. There is hereby created the "state market commission," a state organization for the following purposes, to wit:

First—To act as advisor for producers and distributors when requested, assisting them in economical and efficient distribution of any such products at fair prices.

Second—To gather and disseminate impartial information concerning supply, demand, prevailing prices and commercial movements, including common and cold storage of any such products.

Third—To promote, assist and encourage the organization and operation of cooperative and other associations and organizations for improving the relations and services among producers, distributors and consumers of any such products, and to protect and conserve the interests of the producers and consignors of such products.

Fourth—To foster and encourage cooperation between producers and distributors of any such products, in the interest of the general public.

Fifth—To foster and encourage the standardizing, grading, inspection, labelling, handling, storage and sale of any such products.

Sixth—To act as a mediator or arbitrator, when invited by both parties, in any controversy or issue, that may arise between producers and distributors of any such products.

Seventh—To certify, for the protection of owners, buyers or creditors, when so requested, warehouse receipts for any such products, verifying quantities and qualities thereof, and to charge for such service fees sufficient to make the service at least self-supporting.

Eighth—To issue labels bearing the seal of the state market commission on request of the producer, packer, canner or distributor, for any such products, for which state labels have not otherwise been authorized by law, under such rules and regulations as the director may deem necessary and to charge for such labels such fees as in the judgment of the state market director may be proper.

Ninth—To act on behalf of the consumers of any such products in conserving and protecting their interests in every practicable way.

Tenth—To improve, broaden and extend in every practicable way, the distribution and sale of any such California products throughout the markets of the world.

Eleventh—To promote in the interest of the producer, the distributor, and consumer, economical and efficient distribution and marketing of all or any agricultural, fishery, dairy and farm products produced, grown, raised, caught, manufactured or processed within the State of California.

It shall be within the province of the state market director, hereinafter provided for, to determine and decide, when, where and to what extent, existing conditions render it necessary or advisable to carry out any or all the purposes of this act and he is herewith granted power and authority to carry out any or all of said purposes.

SEC. 2. This act shall be known as the "state market commission act."

The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "commission" shall be the state market commission.

The "director" shall be the state market director himself personally or his duly appointed and authorized representative.

The word "products" shall refer to the agricultural, fishery, dairy and farm products, produced, grown, raised, caught, manufactured or processed within the State of California.

The term "organizations of producers and distributors" shall include all corporations, societies, associations and organizations of producers or of producers and distributors, or of distributors, co-operative or otherwise, formed for the purpose of facilitating the marketing of any such products.

A "person" shall be understood to include individuals, partnerships, associations and corporations or their agents or employees.

When the singular is used the plural is also included. Whenever the masculine is used, the feminine and neuter are included.

SEC. 3. The state market commission shall consist of a governing body of one person, to be known as the state market director, hereinafter referred to as the director, who shall be appointed by the governor of the State of California, and of a secretary to be appointed by the state market director, as hereinafter provided, and these two shall perform the duties and exercise the powers of the state market commission and shall administer the provisions hereof, administer oaths, certify to all official acts, and do all proper acts to carry out any and all of the purposes hereof.

SEC. 4. The director is hereby vested with full power, authority and jurisdiction to do and perform any and all things which are necessary or convenient in the exercise of any power, authority or jurisdiction designated and conferred upon him under this act.

SEC. 5. The commission shall have a bureau of correspondence for gathering and disseminating information on all subjects relating to the marketing of California products, and may issue bulletins thereon, and by every practicable means keep the producers informed of the supply and demand and at what market their products can best be handled.

SEC. 6. The term of office of the director shall be four years or until his successor be appointed by the governor, and the annual salary of the director shall be five thousand dollars. The first appointment of director shall be made upon this act going into effect. The legislature, by a two-thirds vote, may remove the director, for misconduct, neglect of duty, or incompetency.

SEC. 7. The state market commission shall have a secretary who shall be appointed by the director and hold office at his pleasure, and shall perform such duties as he may prescribe. The annual salary of the secretary shall be three thousand six hundred dollars.

SEC. 8. The state market commission shall have a seal bearing the inscription "state market commission of California," which seal shall be affixed to all such instruments as the director shall require.

SEC. 9. The salaries of the director and secretary shall be paid to them in the same manner as are the salaries of other state officers.

The salary or compensation of all other persons holding office or employment under the director shall be fixed by the director and shall be paid monthly from the state market commission fund, as hereinafter provided, and after being approved by the director upon claims therefor to be audited by the state board of control.

All expenses incurred by the director pursuant to the provisions of this act, including actual and necessary traveling expenses, and other disbursements of the director, his officers and employees, incurred while on business of the commission shall be paid from the state market commission fund in the same manner, except as provided for in section twelve of this act.

SEC. 10. The director shall not engage in any other line of business during his term of office, but shall devote his whole time, attention and ability to the duties of his office. The director shall not hold or own any stock or other interest whatsoever in any produce commission business.

SEC. 11. There is hereby created a fund to be known as the "state market commission fund." All fees, charges and costs collected by said commission under this act shall be paid into the treasury of the state to the credit of such fund. All appropriations made by this act or any subsequent act for the use of the state market commission, shall be placed to the credit of such fund. All expenses of whatsoever nature, incurred by the commission under the provisions of this act, shall be paid from the state market commission fund, after being approved by the director, upon claims therefor to be audited by the board of control except as provided for in section fourteen *a* of this act.

SEC. 12. A revolving fund of two hundred and fifty dollars shall be established by the board of control for expenses of the state market commission, other than salaries, rent and other regular expenses, and the director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers monthly with the board of control covering such disbursement.

SEC. 13. The director shall make and submit to the governor, on or before the first day of December of each year, a report containing a full and complete account of the transactions and proceedings of the state market commission for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 14. The director, before entering upon the duties of his office, shall make and execute to the people of the State of California an official bond in the sum of five thousand dollars, for the faithful performance of the duties of his office. The director may require of the officers and employees such bonds for the faithful performance of their duties as in his judgment may be necessary.

SEC. 15. The director may make pertinent investigations concerning the aggregate amount of products held in common and cold storage. In connection with any such investigation, the director shall have the right to inspect only the pertinent books and records of common or cold-storage warehouses for the purpose of determining and publishing aggregate amounts of products held in storage, and the director is hereby empowered to issue subpoenas for the attendance of witnesses and the production of pertinent books, papers, accounts, documents and testimony in any such investigation.

SEC. 16. Any and all moneys in the state treasury to the credit of and any moneys due the state commission market fund under the authority of the act creating the state commission market fund, approved June 10, 1915, shall be transferred to the credit of the state market commission fund, created by this act.

SEC. 17. If any section, subsection, sentence, clause or phrase of this act is for any reason declared to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 18. That certain act entitled "An act to provide for the creation of the state commission market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the State of California and selling and disposing of such products on commission, creating the 'state commission market fund' and appropriating money therefor," approved June 10, 1915, and known as the "state commission market act," chapter seven hundred thirteen of the statutes of 1915, and all other acts and parts of acts in conflict with this act are hereby repealed.

THIRD ANNUAL REPORT
OF THE
STATE MARKET DIRECTOR
OF CALIFORNIA

AND
SECOND ANNUAL REPORT
STATE FISH EXCHANGE

A Department of
The State Market Commission

TO THE
GOVERNOR OF CALIFORNIA

For the Year Ending December 1, 1918



CALIFORNIA STATE PRINTING OFFICE
SACRAMENTO
1918

STATE MARKET COMMISSION OF CALIFORNIA.

525 Market street, San Francisco.

HARRIS WEINSTOCK-----**State Market Director**

F. N. BIGELOW-----**Secretary of the Commission**

**State Market Director's Representatives on the Board of Directors of
Co-operative Marketing Associations.**

California Prune and Apricot Growers-----**William G. Alexander**

Poultry Producers of Central California-----**Edgar Allen Forbes**

Poultry Producers of Southern California-----**Austin O. Martin**

Pacific Rice Growers Association-----**Walter M. Smith**

California Bean Growers Association-----**Fred W. Kiesel**

San Joaquin Valley Milk Producers Association-----**William Glass**

Northern California Milk Producers Association-----**Fred W. Kiesel**

Milk Producers Association of San Diego County-----**E. Melville**

Milk Producers Association of Central California-----**Guy H. Miller**

Central California Berry Growers Association-----**Louis E. Townsend**

California Pear Growers Association-----**R. C. Dorsey**

California Tomato Growers Association-----**John F. Neylan**

California Honey Producers Co-operative Exchange-----**Harris Weinstock**

Alfalfa Growers of California, Inc.-----**Harris Weinstock**

California Associated Olive Growers, Inc.-----**Harris Weinstock**

California Federation of Farmers Co-operative Marketing Associa-
tions-----**Harris Weinstock**

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LETTER OF TRANSMITTAL.

*Honorable WILLIAM D. STEPHENS,
Governor of California.*

SIR: Section 16 of the State Market Commission Act provides that:

“The director shall make and submit to the Governor, on or before the first day of December of each year, a report, containing a full and complete account of its transactions and proceedings for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.”

In accordance therewith, I have the honor to transmit to you herewith my third annual report.

Respectfully,

HARRIS WEINSTOCK,
State Market Director.

San Francisco, December 1, 1918.

THIRD ANNUAL REPORT OF THE STATE MARKET DIRECTOR OF CALIFORNIA.

*Honorable WILLIAM D. STEPHENS,
Governor of California,
Sacramento.*

SIR: I herewith present to you my third annual report as State Market Director for California.

The need was keenly felt in normal times, more especially on the part of the farm producers, for establishing conditions which would make it more nearly possible for the farmer to market his crops under a system which would eliminate waste in the cost of distribution, stabilize prices, give the producer a voice in determining the value of his product, and broaden his market. World experience had shown that these objectives could be accomplished only through organized effort on the part of farmers. The need of achieving all these ends has become keenly emphasized by the critical conditions brought about by the world war in which this nation took so active and effective a part.

The federal and state authorities had pointed out that the war would largely be won by food. This was further emphasized by the Secretary of Agriculture of Great Britain, who in a recent interview, among other things, said that the American farmer is today the most important man in the world; that the battlefield of Europe is in very truth the food-producing fields of America; that the food production of France, of Russia, of Canada, of the Scandinavian countries, of Italy, has been seriously diminished and that it is only to the American farmer that world democracy can look to be saved, and that the American farmer in turn is confronted with a remorseless situation due to increased demand for foodstuffs because of the appalling world deficit of foodstuffs, and to the fewer hands now available to cultivate our productive fields.

The world's experience has shown that there is no better way of keeping the food producer producing than to make it possible for him to make a living at so doing; and that in order to make a living it is of the highest importance that his marketing shall be done scientifically in order that he may be enabled to secure the largest possible share of the consumer's dollar. As hereinbefore pointed out, this can be done only by organization.

The federal government has been keenly alive to the necessity and to the importance of furnishing leadership to the farmers in order to organize them effectively for marketing purposes, and in providing for

such leadership it has rendered the farmers of the nation, and the nation itself, splendid service along these lines.

As an evidence that the work of the Federal Bureau of Markets, whose duty it is to promote and encourage co-operative marketing, is appreciated by Congress, the last appropriation by Congress for the work of said bureau was \$2,500,000, while the first appropriation made for that work, less than five years ago, was \$50,000. With this large appropriation at its command, the Federal Bureau of Markets has been enabled to render very valuable service, especially along the lines of bringing into existence interstate farmers' co-operative marketing associations. One of the most recent efforts in this direction on the part of the Federal Bureau of Markets was its activity in organizing into an interstate co-operative marketing association the honey producers in the states of Colorado, Wyoming, Utah, Idaho, Oregon, Washington, western Nebraska, western Kansas and Montana.

The example which has been set by the federal government has, in my opinion, been wisely followed by the state of California in the creation of a State Market Commission and in the enactment of a law which, among other things, provides that the State Market Director shall "promote, assist and encourage the organization and operation of co-operative marketing associations," and shall "endeavor to improve, broaden and extend in every practicable way the distribution and sale of any such California products throughout the markets of the world."

The farmer is slow to organize. What he most needs is leadership. The state of California, in common with the federal government, is furnishing such leadership to the farmers in their efforts to organize themselves along modern and scientific lines for the marketing of their crops, thus enabling them better to standardize grades, ship in carload lots with the fullest marketing information, and to broaden markets through intelligent publicity. In my opinion there is no other one thing that the state of California can do at any time, and more especially at this critical time, than to aid the food producer to keep on producing. The experience in California as well as elsewhere has shown that, as a rule, where farmers have been properly organized into marketing associations, it has stabilized conditions, eliminated marketing evils, broadened markets and added to the prosperity and well-being of the farm producer. These things have all been of benefit as well to the consumer. In the interest of the consumer it is of the highest importance that the food producer shall be kept producing. It must be self-evident that in proportion as the food producer ceases to produce, so in proportion must the consumer either go hungry or pay prohibitive prices for his food products.

The first step, therefore, in the interest of seeking the welfare of the consumer is to make it possible for the food producer to continue as such.

The opponents of producers' organizations at times contend that such organizations make for monopoly and "sting" the consumer. These critics have time and again been challenged to cite any instance where producers' organizations have put an unfair burden on the consumer, but this challenge has never been accepted.

The aim of such producers' organizations is to secure for the producer the cost of production, plus a living profit. Unless these results can be achieved, the tendency inevitably must be for diminished production and increased prices to consumer. As an evidence of the spirit of producers' organizations, and the fact that they have no thought and no desire to exploit the public, attention is called to the fact that although under the Clayton Act they are exempt, the producers' organizations in California, with which as State Market Director I have had any relations, have voluntarily taken out federal licenses which make it legally impossible for them to profiteer or to exploit the public, even if they were inclined to do so.

California is rapidly becoming one of the greatest food producing states in America. Its possibilities in this direction are nevertheless still in their infancy. It has been pointed out that there remains in California about eleven millions of acres of uncultivated arable land which, put under water as sooner or later it will be, will make it possible to enormously increase the food production of California. This, together with the fact that the federal merchant marine which will be at the service of the producers in normal times, and the use of the Panama Canal, will open out the Atlantic seaboard and the world markets for California food products as would never otherwise have been possible. These advantages, combined with organized effort on the part of the farmers of California who collectively will be in a position to extend and develop export markets, emphasize the fact that with proper guidance and direction, the food producers of this state will be in a position to add tremendously to the wealth, to the prosperity and to the well-being of the commonwealth.

For your information and as a permanent record I give in some detail an account of the different marketing organizations which my office has either initiated or been actively identified with during its existence.

Yours very truly,

Signed: HARRIS WEINSTOCK,
State Market Director.

CENTRAL CALIFORNIA BERRY GROWERS ASSOCIATION.

During the year 1916 and for several seasons preceding, the strawberry industry tributary to the San Francisco market had reached a low ebb, so far as the producer was concerned.

The marketing method pursued by strawberry producers, as a rule, was in the nature of consignment to any one of many commission merchants in Oakland and San Francisco, who received a 10 per cent commission as compensation for selling the product. Under this system the producer on the one hand found himself obliged to accept in return whatever was remitted to him by the merchant. He had no way of checking up the returns or assuring himself that he was getting all that his product was worth, or had realized. On the other hand, the commission merchant found that he could have no downward limit on prices. The eagerness of the many commission merchants who had strawberries on consignment to dispose of the product led to such cutthroat competition that one neighbor's berries were used to undersell another neighbor's berries, regardless of the cost of production. On days when receipts on berries in the market were above normal, a glut would follow that resulted either in the canners buying the surplus at prices ruinous to the producer, or in the surplus being carried over for the next day's market, with the result that the highly perishable character of the product would kill producers' prices for the following day's market. In this wise, through improper marketing methods, the activity grew to be so unprofitable that the very life of the industry was threatened. In the absence of any remedy it meant that many strawberry growers must abandon the activity and, to the disadvantage of the consumer as well, divert their energies to some other occupation that would better enable them to earn a living.

It was at this stage of the situation that a group of the growers took up the matter with the State Market Director in the hope that a remedy might be found through organization.

A subscription and also a crop agreement were worked out to meet the peculiar marketing conditions involved in this product and in due course the association was organized and proved highly successful right from the very start.

Without putting any added burden on the consumer, but on the contrary insuring the consumer a steady supply of properly standardized and properly graded berries, at fair and reasonable prices, the association

succeeded in wiping out the serious trade evils that were killing the industry.

The following, which is the latest available report of the association, explains more in detail the marketing methods pursued and the results achieved by the association:

The promoters of this association had in view one primary object, viz. to protect the growers against the loss so frequently and commonly sustained in marketing a commodity as highly perishable as strawberries.

A board of directors, consisting of eleven members, most of whom are widely experienced growers, was elected and vested with powers to establish and carry out some business policy under which to accomplish this object.

This board decided not to establish some new marketing system, but to place under its supervision, as far as possible, existing marketing facilities. Hence, all selling this season was done through the commission houses, the number of which was increased to twelve in Oakland and fourteen in San Francisco.

The next step taken by the board was to determine upon the cost of producing and delivering strawberries to the markets, based on present cost of material, labor, etc. This being determined, a minimum selling price for the season was then established, based on this cost of production plus the additional cost of marketing.

It being evident from the experience of past years that the markets of San Francisco and Oakland have not the capacity to consume all the strawberries produced by the members of the association at this minimum price, nor at any price, it becomes necessary to dispose of a certain per cent of the crop through other channels, such as canneries.

All berries not finding sale at this minimum price, or better, on the open markets, were diverted to a cannery at a certain hour each day to avoid further loss by deterioration. Whenever it became necessary to prevent loss by an oversupplied market, a certain per cent of the crop was delivered directly to various canners and preservers, with whom the association had arranged for such deliveries.

Under this system, the consuming public was supplied with clean, fresh stock every morning, at no material advance in cost, while the producers netted a better general average price per chest than they were able to realize any year prior to organizing, and the usual glut at the height of the season was successfully prevented.

Compare the accompanying report with your results at the end of any season you have been in the berry business. This unprecedented success was due to co-operative marketing, under a well-directed and properly executed plan of supervision. The same conditions existed, the same difficulties met which you experienced in former years, and which individually you were unable to overcome.

Co-operative marketing of strawberries has proven so satisfactory that the growers of other varieties of berries have requested to be admitted to membership in the association, and both new and old members are now signing membership contracts for a term of three years. Over 80 per cent of all berry acreage tributary to the bay cities has been signed up and the future of the association is assured.

Growers of any variety of berries, including gooseberries and currants, in any size acreage whatever, who have not yet become members of this association, are requested to do so at once. If any industry needs co-operative protection, certainly the grower of perishable farm products does. This fact is emphasized by both the national and various state governments, which are expending large sums annually in promoting and assisting farmers' associations.

MARKET REPORT.

Season 1917.

Number of chests delivered to the markets by months:

| San Francisco— | | Oakland— | |
|-----------------|--------|-----------------|--------|
| April | 979 | April | 641 |
| May | 25,045 | May | 13,473 |
| June | 15,480 | June | 7,208 |
| July | 8,573 | July | 2,606 |
| August | 9,770 | August | 2,818 |
| September | 6,501 | September | 2,149 |
| October | 2,718 | October | 866 |
| November | 852 | November | 204 |
| December | 642 | December | 69 |
| Total | 70,548 | Total | 31,033 |

Total number chests delivered to both markets, 101,581.

Unsold surplus, delivered to the cannery off these markets, 1167 chests, or about 35 tons.

Delivered directly to various canners and preservers, 10,825 chests, or 433 tons.

Total delivered to all canneries, 11,902 chests, or about 468 tons.

Total marketed by the association, including canning berries, 112,406 chests.

Average selling price for the season, including canning berries, \$6.00 per chest.

Total value of crop, not including local sales by growers, approximately \$675,000.

Cost of operating association, 5c per chest, or less than 1 per cent of selling price.

FINANCIAL STATEMENT.

April 10, 1917, to January 16, 1918.

Funds received by the office from all sources.....\$52,450 26

DISBURSEMENTS.

| | |
|---|-------------|
| Freight to Southern Pacific Company..... | \$21,421 44 |
| Drayage and freight to truckmen..... | 2,498 96 |
| Loading at Watsonville, Vega and Betabel..... | 2,061 96 |
| Total received from canneries and paid to growers..... | 15,501 51 |
| Funds held by association, returned at end of season..... | 3,516 66 |
| Office furniture, fixtures, etc..... | 875 95 |
| Salaries to January 1, 1918..... | 3,754 58 |
| Organizing and general operating expenses..... | 2,161 81 |
| Balance on hand, January 16, 1918..... | 575 30 |

OFFICERS AND DIRECTORS.

Season 1918.

MARK GRIMES, *President*.O. O. EATON, *Vice President*.SUMITO FUJII, *Secretary-Treasurer*.**BOARD OF DIRECTORS.**

R. F. DRISCOLL, Irvington; JAMES HOPKINS, Watsonville; O. O. EATON, Watsonville; J. E. REITER, Watsonville; MARK GRIMES, Santa Clara; K. SHIKUMA, Watsonville; GEO. I. NODA, Mountain View; T. NAKATA, Mount Eden; T. TASHIMA, San Juan; T. CHIBA, San Francisco; AARON SAPIRO, San Francisco, representing the State Market Director's Office.

The industry through collective effort having now become stabilized and put upon a basis where it is more nearly possible for the producer

to realize for his crop the cost of production, plus a living profit, it may confidently be looked forward to that California berry growing will steadily expand and grow to large proportions.

The following analysis of the San Francisco consumer's dollar paid for strawberries is likely to be of interest:

| | Per cent |
|-----------------------|--------------|
| Retailer ----- | 22.22 |
| Wholesaler ----- | 7.77 |
| Transportation ----- | 8.33 |
| Association fee ----- | .66 |
| Baskets ----- | 5.00 |
| Producer ----- | 56.02 |
| | <hr/> 100.00 |

POULTRY PRODUCERS OF CENTRAL CALIFORNIA.

This association began business in February, 1917. Its initial paid up capital was about \$10,000.00, about \$5,000.00 of which was expended in organizing the association. At the close of twenty months' business it had to its credit a paid up capital of \$144,000.00. Its sales for the first eight months of 1918 were \$2,599,152.67, showing an increase in business of nearly 100 per cent over the corresponding period of the preceding year. And yet, in the beginning, the forecast was made to me, as State Market Director, by pessimists, that it would never be possible successfully to organize the poultry producers of the state. It was pointed out that attempts had been made time and again to organize the poultry producers and that these attempts had invariably met with failure. It was claimed that because of local jealousies, and also because the average poultry producer could not resist the temptations usually held out by the speculative buyers to association members, in the way of temporary higher prices, in order to get them to desert their association, no poultry association could live for any time. There were those who made the forecast that this association would in a few months go the way of all the previous poultry producers' associations, and find an early grave. The very opposite, however, has happened. The association has grown stronger week by week and month by month. All this despite the fact that in its early days the struggle was a desperate one and the directors had their full share of dark days.

The association in the beginning was seriously handicapped because of lack of capital and from lack of experience. The management soon discovered that it was no easy matter, for example, to undertake to do a business of about two million dollars a year, with a working capital of about five thousand dollars. The management also found that it took much experience to meet on an even footing the highly trained and long experienced opposing buyers and sellers who had spent a lifetime in the business. Due to the lack of adequate capital &

experience, mistakes of course were made. These mistakes, however, were not serious enough in character to long injure the progress of the association. Today, such mistakes are looked back to as stepping stones merely, to higher and greater effort.

To cover the first year's business, a contract was entered into with twenty-six San Francisco wholesale produce merchants who underwrote the output of the association, and who agreed to take the entire daily receipts of eggs of the association and prorate them among themselves on a basis which had been agreed upon, the price to be paid to be the daily quotation on the Produce Exchange. It was further agreed that the association should have a membership in the Exchange with a representative who should have the full privilege of the floor as a protection to the association against possible manipulation of prices. In due course it was found that this selling plan had its advantages and also its disadvantages. Its advantages lie in the fact that its entire season's output was sold in advance. Thus, the selling cost to the association was reduced to a minimum. It was also made possible under this plan to handle a large volume of business with a very small working capital. The disadvantages were that the maximum prices that the association could hope to obtain were the produce exchange prices. The profits made over and above these prices in serving the retail, the shipping, and the export trade, as well as the profits to be made in the storage of eggs, were thus placed beyond the reach of the association. Under that plan of selling, it became an easy matter for produce merchants unfriendly to the association to offer nonmembers a trifle better price than could be obtained through the association, in order to discourage them from becoming members and in order, further, to dissatisfy those who were members. This was made possible on the part of unfriendly produce merchants by sacrificing, for the time being, a part of the profit made, over and above the market quotation price, the quotation price being the limit that the association could return to its members less two cents a dozen to cover its selling expense and the cost of the egg case.

In the beginning these tactics made much trouble for the association. The effect created was largely as had been anticipated by its opponents. The fact that outsiders were getting somewhat more for their eggs than members, made it difficult to increase membership. It also made it difficult to satisfy the unthinking members who felt that membership was not spelling, as expected, immediate higher prices for their eggs than the prices received by nonmembers. This made the members feel that they were making a needless sacrifice. As a consequence, a small percentage of the poultrymen who had obligated themselves to sell all their eggs through the association, reniged on

their contracts and had to be brought into court and compelled to live up to their obligations. This, of course, subjected the association to much expense and annoyance and led to more or less unavoidable friction, all of which was unfortunate. The members with broader vision, however, were wise enough to see that if they likewise permitted themselves to be seduced away by temporary tempting baits, the association would be turned into a rope of sand, and would speedily find itself sleeping peacefully in the co-operative graveyard by the side of the many previously organized efforts that in like manner had been brought to an early end.

The loyal members keenly realized that the very existence of the association was insuring them more nearly the full market value. They fully realized that being organized meant having a representative as a member of the Produce Exchange, thus affording them protection against possible manipulation of quotation prices on the Exchange, harmful to the producer. The loyal members were keenly aware of the fact that never before had such a protection been made possible. They also felt that if for no other reason this one advantage and protection alone made the association thoroughly worth while. In due course, the dissatisfied members began more and more to appreciate the great benefit the association was proving itself to be to the producer and one by one they became advocates, in place of "knockers," while outsiders, many of whom also began to appreciate the great service the association was rendering the producers, were brought to feel that it was in their interest to support and encourage its activities. Despite the fact that independent speculative buyers have continued to offer inducements in the way of somewhat higher prices, they have found it increasingly difficult to keep nonmembers from becoming members, and to persuade members to break their association contracts.

At the close of the first year's contract with the produce merchants, who had taken the entire receipts of eggs from the association at the daily Produce Exchange prices, it was decided that the association was in a position, by virtue of its increased capital and its broadened experience, to do its own selling and to develop its own retail, shipping and export business. Despite its full share of mistakes, inseparable, as a rule, from ventures into new and untried fields, the net results have been gratifying. Membership increased about 20 per cent.

During the month of January last when the association first ventured to do its own selling, it sold to retail dealers only 2 per cent of its output. By the month of August, an interval of about seven months, it had increased its business to retail dealers to 20 per cent of its output and its shipments to outside trade to 25 per cent of its output. Furthermore, during the first six months of 1917, the association eggs

amounted to 28 per cent of the total receipts of eggs on the San Francisco market; for the corresponding period of 1918 the association eggs amounted to 39 per cent of the eggs on the San Francisco market.

The increased capital at the command of the association made it possible to undertake to store eggs during the flood period of the year, instead of forcing them on the market to be sold at killing prices, for the benefit of the speculative buyers, who would buy at depressed prices, store and sell them at the famine period of the year at enhanced prices for private profit.

It is not to be gainsaid that in the absence of the producer being able to store and conserve the surplus supply of eggs during the flood period, in order that prices in consequence of an oversupply shall not be ruinous to the producer, and in order, further, that such surplus, in the interest of the consumer, shall be conserved for the famine period of the year, that the speculative buyer has served in the past a most useful purpose, and in the absence of a better system he was entitled to whatever profit could in this wise be legitimately made. The ideal system, however, is for the producer collectively to perform this function of conservation himself. Wherever this can be done it is better for him and better for the consumer. It is better for him because, as the producer, he should receive at all times the full market value of his product. It is better for the consumer, as well, because it is in the interest of the consumer that the producer shall be kept producing. To the degree that the producer can be assured every penny that his product realizes, to that degree will it be more possible to continue to keep him producing. This better system, so far as eggs are concerned, is now at hand, and has been made possible by organized effort on the part of the poultry producers. With the increased capital available, the association stored during the flood period of production of the last season, over a quarter of a million dollars' worth of its eggs. Its financial condition was such that at the time of storage it was in a position to remit to its members the full current market value in cash for such eggs. The members were therefore not obliged to wait for part or for all of their returns until the eggs were sold. They not only got their money at once, but later, they will get the benefit of the difference in price realized by the association.

In a bulletin issued by the association under date of September 18, 1918, the following statement in this connection is made:

"We began to sell our stored eggs three months ago, as soon as there was a demand for them, and we have been selling them right along until now we have only enough left to supply the estimated needs of our own retail trade during the fall and winter months.

"We do not approve of speculation in farm products and we do not believe that, in the long run, it ever pays producers to speculate in their own products. We do believe that they should

protect themselves from speculators by storing their products in the flush season in order to prevent the market from being forced down for the benefit of the speculators. We are glad that the poultry producers have an organization strong enough to give them this protection and as long as we have a voice in the organization, that voice shall be raised, not against legitimate trading, but against speculation, because we know, as anyone knows who has at all studied the matter, that speculation in food products is always at the expense of the producer and consumer alike, while legitimate trading is a service to both of them."

During the past year the association has rendered the consumers a most valuable service in holding its members in line, by securing for them the full market value for their product and also by counselling them to maintain their flocks intact, despite the discouraging conditions brought about by the abnormal and almost prohibitive market prices for feedstuffs, which for a prolonged period threatened the life of the entire industry and led many poultrymen to feel prompted to dispose of their flocks and to engage in other activities, thus causing decreased production with consequent higher prices to consumers.

The poultry industry of California has an important future ahead of it. With the organized effort which has been brought about with the aid of the leadership afforded the producers by the state, the day should not be far distant when, in addition to fully supplying the requirements of the people of California, a large export business should be developed, all of which is made possible by the superior quality of egg produced here, which commands for it a premium, and also because by organization, higher standards and more reliable grades are made possible. The state, by furnishing leadership, has thus performed a most useful and helpful purpose in the interest of producer and consumer, in stabilizing an important food industry and in broadening its future possibilities.

One of the prime purposes of organization is to eliminate waste in the cost of distribution and to secure for the producer the largest possible share of the consumer's dollar. The following analysis of the distribution of the San Francisco consumer's dollar, expended for eggs, makes plain that under organization the producer is getting a larger share of the consumer's dollar than was formerly possible:

Retail price 75 cents per dozen (wholesale quotation 65 cents).

| | Per cent |
|--------------------------------|----------|
| Producer | 75.73 |
| Transportation (average) | 1.33 |
| Case and filler | 1.74 |
| Association cost | .94 |
| Wholesaler | 6.93 |
| Retailer | 13.33 |
| | <hr/> |
| | 100.00 |

as available data will permit, the cost to the poultrymen of producing each month in the years 1915, 1916, 1917, and the first three months of 1918. This analysis has been made to determine what results have been as the producer during the period covered.

I am presenting herewith two plates, I and II. Plate I is a line chart which quickly illustrates the figures set out in Plate II. The figures submitted are for every month from January, 1915, to April, 1918.

On Plate II, I show under columns 1, 2, 3, 4, and 5, the actual average cost during each month of wheat, barley, milo, egg food, and meat, respectively. Column 6 shows the average cost each month of the three grains, wheat, barley, and milo. Column 7 covers the cost of egg food per 100 pounds (which covers the same item per 90 pounds). Column 8 gives you the monthly cost per 100 pounds of the grains, egg food, and meat. The figures have been taken from the wholesale lists published during each of the months covered by the report.

Under column 9, I have assumed, after careful investigation among the poultrymen, that each hen of the Mediterranean class consumes an average of 75 pounds of feed per year, consisting of one-half mixed grains and one-half mash egg food, the consumption during the heavy laying months of March, April, and May, being about 10 per cent above normal, and during the months of September, October, November, and December 10 per cent below normal. I have also shown under column 9 the cost in cents of the egg food consumed, and the cost of the water, greens, grit, shell, etc., which is to be about 3 per cent of the total food consumed. The total cost of the food consumed by each hen during the several months is also shown under column 10.

Under column 10, I show the overhead expense to be at the rate of 15 cents per hen per month, or \$1.20 per hen each year. I arrived at this figure by making the most careful comparison of the experiences of a large number of poultrymen to whom I consulted, and the items making up the \$1.20 are fully shown under column 11.

In column 11, I show the total cost each month of keeping each hen, which is arrived at by adding the total food cost to the overhead expense of 15 cents.

I have assumed, after averaging the experiences of the poultrymen and a very large number of known cases covering a total of hundreds of thousands of hens, that the average lay of each hen is 10 dozen and the average lay per month is as shown under column 12. Column 13 is shown the cost of each dozen eggs produced during all the months, which is based on the figures under columns 11 and 12.

Column 14 covers by months the average Los Angeles market price per dozen. These figures were taken from the official daily Los Angeles Exchange quotations during the entire period covered.

Column 15 shows the average market value of the eggs produced by each hen during the different months, and is based upon the figures under columns 12 and 14.

Columns 16 and 17 show the loss or gain per hen experienced by the poultryman during each month, the loss or gain being the difference between the figures in columns 11 and 15.

Plate I shows by means of charted lines the data covered by Plate II. The upper half of Plate I shows the following:

First. Cost of producing each dozen eggs—indicated by a dotted line. This line is charted from the figures in column 13 of Plate I. For instance, the dotted line according to these figures must start in January, 1915, at 20.1 cents and after dropping to 17.9 cents in April, finally reaches its high peak of 79.1 cents for that year in November. A higher peak is reached in November of 1916 and a still higher cost of egg production is shown in November of 1917 and so on.



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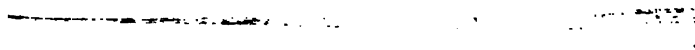
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Second. The average Los Angeles market quotations, shown by a solid line, charted from the figures in column 14 of Plate II.

Third. The total cost of maintaining each hen, shown by a line consisting of alternate dots and dashes, and charted from the figures in column 11 of Plate II.

Fourth. Market value of eggs produced by each hen during each month, shown by a line consisting of dashes only, and charted from the figures in column 15 of Plate II.

Fifth. The loss or gain experienced by the poultryman for every hen owned by him, shown by the line consisting of alternate dashes and double dots, and charted from the figures in columns 16 and 17 of Plate II.

The lower half of Plate I shows the cost of the different egg foods charted from figures in columns 1, 2, 3, and 4 in Plate II. The solid line is charted from the figures in column 8 of Plate II, and shows the average cost of all the different feeds during the entire period covered by the chart.

A study of the loss and gain line on Plate I (alternating dash and double dots) is very interesting and illuminating. The greatest net loss occurred in 1915, while the greatest net gain appears in March of this year, due undoubtedly to the stabilizing of our market. The actual loss to the poultryman on every hen owned by him in 1915 was 22.7 cents, in 1916, 9.3 cents, and 1917, 12.44 cents, or an average loss of 15 cent per hen for three years, a most deplorable situation. Instead of suffering this loss, the poultryman was logically entitled to a minimum profit of \$1.00 per hen.

His total bookkeeping deficit is therefore \$1.15. How to meet this deficit is the problem, and I suggest that it be approached with due consideration to the three vital factors entering into the calculation, which are as follows:

First. The number of eggs produced by each hen.

Second. The cost of feed for each hen.

Third. The amount received for the eggs.

Considering these factors separately, it appears entirely possible to effectually meet this deficit and place the poultry producer on a sound, economic basis by requiring that each factor contribute to that end. For instance:

First. Instead of being content with ten dozen eggs per annum, the poultryman should, by careful breeding, selecting and close culling, be able to raise this average production at least one dozen eggs per annum. This should mean an increase in revenue of say 40 cents. A well planned effort should be made to produce more eggs during the period of high prices. One-half dozen more eggs in November and one-half dozen less eggs in March would in itself make a difference of 15 cents in the year's income for each hen, according to 1917 experience.

Second. The feed cost should be reduced about 15 per cent, and possibly by a greater percentage, by co-operative buying in the most favorable markets at the most favorable seasons and in large quantities. This appears to be the thing which can be accomplished most certainly and should, at a minimum, save for the poultryman 40 cents per hen each year.

The saving of 15 per cent seems most reasonable when it is considered that in the year 1917 the low month for feed cost was 16.8 cents and the high month 27.3 cents, a variation of 10½ cents, which meant an addition of 60 per cent to the low cost month's price. The average feed cost for the year was 21.02 cents, the average being about 25 per cent increase over the low cost month. With such a wide variation within a twelve months' period a to-be-expected saving of 15 per cent by judicious, co-operative, quantity buying should be readily realized.

Third. The third factor is that of market price. If the average price received by the producer can be increased by, say 10 per cent, which would indicate a market price wholly reasonable and extremely favorable to the consumer when actual food value is compared to the current prices for other food products, it would mean an additional income of approximately 40 cents per hen each year.

If these results can be obtained, some to a greater and some to a lesser degree,

the problem of the book-keeping deficit can be solved. Storage can be depended upon to help to a certain degree, but a high local market can not be maintained in the face of certain imports. An abnormally low market, which might be caused by excessive local production, can be stabilized through storage and through exports. No one of the three factors can alone solve the problem, but a combination of the three remedies, if practically applied, can be depended upon to solve it.

I believe every poultryman should be placed in possession of the facts concerning the industry as have now been worked out on a grand average basis, and that he should be shown graphically what must be done to secure the profit he is entitled to. Nine out of ten producers are puzzled and worried and know they are not making a profit, and are in ignorance of actual conditions and have no logical basis to work on for improvement. If this diagnosis of his case and suggestions for a remedy can be placed before him and if he can be prevailed upon to keep an accurate system of accounts so that he can at all times understand his true position and can recognize a gain or a loss when it occurs, the industry can rapidly be placed on a sound economic basis.

Respectfully submitted,

F. D. CORNELL.

The following excerpts taken from the annual letter of President Davison in this connection are of interest:

"During the past year, as is not unusual with associations of the character of ours, we have been beset with many difficult problems of organization and in placing the corporation upon a firm and substantial foundation. The results achieved speak for themselves. The stability of the egg market has been our aim, and we are indisputably stabilizing it. We have had charts prepared by an expert statistician and they are here for your inspection. These charts prove that in past years speculators in eggs have operated to the great detriment of producer and consumer alike; that San Francisco during the months of October, November and December, for instance, of 1912 to 1917, inclusive, a period of six years, obtained an average of three and four-tenths cents per dozen more than the Los Angeles market prices during the same period. Or, figured in dollars, San Francisco has received each year nearly \$90,000 more than we have on a volume of business such as we handled in 1917. At one time the San Francisco quotation was over 15 cents per dozen higher than Los Angeles and as late as 1915 a three months' average showed the San Francisco market 6½ cents per dozen higher than Los Angeles.

"But with the appearance of the Poultry Producers of Southern California, Incorporated, the situation has changed, and during the same months in 1917, our average market price was only one-sixth of a cent per dozen under that of San Francisco.

"A year ago we organized to bring about these results and we have put our theories into practice. We are accomplishing for the egg producer what the internationally famous Fruit Growers Association has done for its members. We will grow stronger with the months, for the skeptics in our organization are becoming our partisans. We must stand together, for in union there is strength. With a strong organization, we can accomplish infinitely more for the producer than he as an individual could do. Our influence is to be felt and we are to present a united front on all questions affecting our interest."

Of still further interest are the following additional statements made by President J. M. Davison:

"Our experience in shipping eggs out of this market has been very interesting. Never before in the history of the poultry business in southern Cali-

ifornia has a like volume of eggs been shipped to foreign markets. But because our organization had control of such a large quantity of eggs, and because of the care and business skill with which they were candled, graded, packed and prepared for shipment, we were able to sell approximately 40 cars of eggs which were sent to Eastern markets, and because of our excellent pack, they were sold at the highest market prices, and were the subject of much favorable comment.

"Our experience in storing has also been interesting. During 1917 we stored 36,511 cases of eggs, which were sold at a profit of \$7,618.88. During 1918 we have stored 41,000 cases of eggs, and of that number approximately 34,000 cases have been sold up to October 1, at a profit of about \$10,000.

"By withdrawing those eggs from the market and selling them for outside markets, or placing them in storage when the production exceeds the consumption, and by withdrawing them from storage and placing them in the regular channels of trade at a time when the production is less than the consumption, we are able to keep the price of eggs from going below the cost of production during the flush laying season, and to keep it from going above the reasonable limits during the light producing season.

"It would be unbecoming of me not to state that, in a large measure, the business of the organization has been conducted by an executive committee of which committee I am not a member, and that the representative of the State Market Commission is a member of this committee, and we feel that the success of our business is, in large measure, due to his wide business experience, excellent judgment and devotion to the interests of the organization. We feel that it is, in large measure, through his efforts that we have been able to obtain superior legal advice and secretarial ability, and that in these particulars we have been extremely fortunate."

Secretary L. A. Brooks, in a recent communication telling of the work of the association, among other things, says:

"At this season of the year, when production is decreasing, the producer is entitled to a return for his product which will prevent his operating at a loss, and, as we have previously stated, it is our purpose to assist him in securing this return, thereby enabling him to produce eggs the year round at a reasonable profit.

"That we have been successful in this direction is attested by the enthusiastic letters of endorsement which we receive from our members. Among the latest of these is a letter received this week from one of our many successful producers who realizes the benefits of co-operation. He writes: 'I know that our association is the savior of the poultry business, and our records show it.' Another member sends in his check for capital stock subscription, and writes: 'I sincerely hope that all of my fellow poultrymen will awake to an appreciation of your splendid effort in behalf of poultrymen in southern California, and, in fact, everywhere.'

"These letters come from poultrymen who have studied co-operation and whose experience as members of this Association has proved conclusively that co-operation is essential to the success of the poultry industry."

The "Produce News" of New York City, in its issue of October 5, 1918, referring to the Poultry Producers of Southern California, among other things, says:

"Purely as a business proposition, the egg producers' organization has made good. It has, for the first time in the history of the industry, established a grade, and has maintained the reputation of its brand. And this, too, in

the face of cutthroat competition for the past three years. Its eggs have been handled and packed through a centrally located packing house, operated by the organization. It is claimed that no one member's eggs have been shown preference—one of the worst evils of the co-operative deal, and one which has broken down more than one organization on the coast. The market has been stabilized, often in the face of the bitterest opposition.

"The several Los Angeles wholesale houses who handle eggs, and who formerly had full control of the field, have been helped, rather than hurt, by the higher standard maintained. Of course some of these houses have left nothing undone to create dissention among the members of the organization. One or two have gone so far as to advise producers to break their contracts and sell their eggs outside. All sorts of schemes have been used to break the market at certain times.

"The one feature of the organization, as pointed out at the inception of the plan, is its long term strong contract, through which those in charge of selling have no need to fear the market being broken through a sudden influx of outside eggs. The other strong feature is that, being a business organization, its contracts to sell mean 'delivery on a mutual settlement.' From all that can be seen, the chief complaint of the outside dealers is that they no longer are able to dictate terms to the producers as in former seasons, followed by dictating the selling price, thereby getting their profits both ways. The chief complaint, it would seem, from members, is from those who claim they have not been able to get their selling service cheap enough. Men who have been connected with co-operatives will appreciate this complaint. History has never recorded any growers' organizations whose members ever felt they were getting things done cheap enough. Most of them would prefer having all their selling done for nothing. Others are still in the woods figuring how the producer can deal direct with the ultimate consumer, thereby getting the last penny, even of the retail price. It is just that one point of incessantly demanding the last nickel of the selling price which has made the life of the co-operative manager anything but a bed of roses."

The following bulletin issued by Secretary L. A. Brooks emphasizes the fine work which has been done by the Poultry Producers of Southern California in raising standards and thus winning the confidence for California eggs on the part of the trade and of consumers:

"This association takes credit for the fact that it was responsible for establishing uniform grading rules in this market, and that, by strict observance of these rules, it has established a reputation and created a market for southern California eggs, of recognized grades, not only in California, but in the markets throughout the East. The reputation acquired enables us to dispose of our eggs at favorable prices in any market. That our success in this direction is gratifying to our members is evidenced by the enthusiastic letters which we receive from them. From one of the latest of these letters we quote:

"It seems to me that the members of the Poultry Producers of Southern California, Inc., should congratulate one another upon the success of our venture in the co-operative marketing of our product. We have established a standard grade for this product and, in less than two years, have earned a reputation which makes a ready market for our eggs in any part of the United States. Perhaps some of us were at first inclined to object to what seemed too strict a grading of our shipments, but we now realize that it was this strict grading which enables us to ship our eggs to New York and have them grade with their near-by receipts. This, doubtless, is also one of the reasons why we now enjoy, in the Los Angeles market, prices as equitable as have ruled in San Francisco, or elsewhere.

"Any member who has visited our station must feel proud of its equipment, and we all appreciate the promptness and regularity with which we receive our remittances.

"We have made a good beginning in the co-operative buying of supplies, and this branch of our work is destined to grow until every member will realize that in such co-operative buying power will come fully as great a saving as in the marketing of his product.

"I feel sure that our officers already have their hands full in keeping things moving against such opposition as has manifested itself from many sources, so I am going to suggest that we, as members, make a drive to increase our membership to twice its present number. Most of us know of some poultryman in our neighborhood who should join us, and a few words from us as to the benefits we have received will help to bring him in. If we should need assistance to convince some especially skeptical prospect, I am sure our secretary, or one of the directors, would furnish such assistance, so let us all take hold and do some co-operating on our own account."

"The benefits to be derived from co-operative effort are well known. The results accomplished by this association for its members prove conclusively that scientific collective marketing has solved, once and for all, the marketing problems which formerly baffled the individual producer. **THIS IS YOUR ORGANIZATION.** We are trying to carry out **YOUR** ideas. Success rests with **YOU**. Speak to your neighbor who is not a member, and let him know what your association is doing, and that his co-operation will give added strength to its efforts."

GRADING ON EGGS.

"1. *California Fresh Extras*: Color shall be entirely white and reasonably clean; the size reasonably uniform; From February 1 to July 1 they shall weigh 22 ounces and over, and average 24 ounces per dozen; from July 1 to January 31 they shall weigh 22 ounces and over, and shall average 23½ ounces per dozen; quality shall be 90 per cent fresh, sound, sweet and full; the balance, other than loss, may be defective in strength and fullness but must be sweet; maximum total loss permitted per case, one-half dozen.

"2. *California Fresh Selected Pullets*: Color shall be entirely white and reasonably clean; size reasonably uniform, throughout the year they shall weigh no less than 18 ounces and shall average 20 ounces per dozen; quality 90 per cent fresh, sound, sweet and full; the balance, other than loss, may be defective in strength and fullness, but must be sweet; maximum total loss permitted, per case, one-half dozen.

"3. *Ranch Case Count*: Shall be fresh gathered, reasonably clean, of good average size, and may be of mixed color, must be 80 per cent fresh, not over 4 per cent rots, and the balance may be defective in strength and fullness, but must be sweet, and must weigh a minimum of forty-three pounds net to the case."

More recently the association has entered the field of collective buying of feedstuffs and other requirements for the poultry business, which promises to render valuable services to the members.

THE DRIED PEACH INDUSTRY.

Perhaps no other California horticultural industry has had such a mercurial career as that of the dried peach industry of the state. In its earlier history when the supply was limited, California dried peaches commanded a remunerative price, which made the dried peach a fairly profitable product to the grower. As the volume of the crop kept

increasing, the increase in consumption, however, did not keep pace with the increase in production. In due course, the product became, more or less, a drug on the market. Coupled with all this, there stood out a most unscientific system of distribution which played havoc with the peach growers' net returns and in due course the grower found himself on the rapid road to bankruptcy.

The climax to this situation was reached in the fall of 1915. It had cost the grower that season substantially 5 cents a pound to produce his dried peaches. The prevailing wholesale market price for his peaches was about 3 cents a pound.

At that very time the average retail price for California peaches in the New York City markets was 17 cents a pound. Thus, the grower was getting about 15 cents of the New York housewife's dollar, leaving about 85 cents on the dollar to cover the cost of transportation and distribution.

On the face of things, this situation made it plain that the method of distribution was most unscientific and wasteful and that unless a better system could be devised the situation, so far as the grower was concerned, was hopeless. The peach grower realized that there was something wrong somewhere. He also realized that singly and alone he was helpless to remedy existing distributing evils.

Conditions got to such a pass that the grower, looking upon his peach trees as a liability, and feeling that never again were they likely to prove to him an asset, began to rip them out by the thousands.

Only recently I was reliably informed that superb peach orchards in Sutter County could have been bought at that time at about \$60 an acre. This price represented about the value of the bare land less the cost of ripping out the trees.

It became plain to the peach growers that their only hope lay in collective action. If any relief was to follow, it must be through organized effort. Accordingly a group of progressive and aggressive citizens and peach growers in the vicinity of Fresno began an organization campaign with the view of bringing into life a strong and effective dried peach growers' co-operative marketing association. It would be presumed that in view of the great adversity under which the peach growers were laboring that they would welcome such possible relief with open arms.

The fact remained, however, that the work of organization was hard and slow. The more progressive and enterprising growers promptly and willingly responded. The great rank and file, however, were hard to move. They were distrustful, suspicious, and fearful of all sorts of dire consequences. The industry, being widely scattered throughout the state, made the campaign long and hard. What added to the

burden of the campaign was the determination of the promotion committee not to organize unless 70 per cent or more of the peach acreage in the state was signed up. The committee passed through many dark days and at times the disappointing results were such as almost to cause despair. It was about this time that the first appointment was made by Governor Hiram W. Johnson of a State Market Director, under the State Marketing Law enacted at the previous legislative session. I was promptly called in by the promotion committee as State Market Director for counsel and advice and for co-operative effort. Keenly appreciating the importance of saving the peach industry to the state, I made an appeal through the press, through circular letters and by personal efforts, to the growers and was much gratified soon thereafter to receive a communication from Mr. Wm. Glass, the business manager of the "Fresno Republican," who was a most active member of the peach growers' organization committee, reading in brief as follows:

"I think that with yours and Governor Johnson's endorsement, things will go with a boom from now on."

In due course the association was brought into life early enough to handle the dried peach crop for 1916. It was a great satisfaction to all concerned that the returns to the grower during the very first year of organization were 6 cents a pound. What was still more gratifying was the fact that, despite this increased price to the producer, the consumer had likewise profited by the change in the system of distribution brought about through organized effort. A survey made at the close of the 1916 season of the retail prices in the New York City market for California dried peaches revealed the fact that the average price to the housewife in that city had been reduced fully 16 per cent, despite the fact that the grower was getting 6 cents a pound for his fruit as against 3 cents a pound the year preceding the growers organizing.

To the man on the street it may not seem clear how it is possible to double the price to the producer and at one and the same time to reduce the price 16 per cent to the consumer. It might be regarded as impossible as keeping a door open and shut at the same time. Ordinarily, where there is no waste in the cost of distribution, it is not possible to lift the price to the producer without automatically lifting the price to the consumer in a corresponding degree. But where there is waste in the cost of distribution, the cutting out of such waste makes it entirely possible to raise the price to the producer and at the same time to lower the price to the consumer. This is precisely what happened in the dried peach industry. There had been great waste in the cost of its distribution. Out of the consumer's dollar paid by the New York housewife that season the California grower had received but 15 cents. This

before this commission was created. There was a time in the history of the raisin industry, not so many years ago, when it cost the producer about 2½ cents a pound to produce his raisins, and he could get in return only about 1½ cents a pound, instances being on record where growers were obliged to feed their raisins to the hogs. At that time the grower received but a small fraction of the consumer's dollar. At this time he is receiving over 40 cents of the consumer's dollar, as is shown by the following analysis prepared by the secretary of the California Associated Raisin Company:

Distribution of Consumer's Dollar.

| | |
|---|--------------|
| Producer receives for raisins..... | 40.23 cents |
| Packing costs | 10.7 cents |
| Cash discounts, brokerage and selling overhead..... | 7.4 cents |
| Freight | 9.27 cents |
| Jobbers' margin | 9.66 cents |
| Retailer's margin | 22.74 cents |
| | <hr/> 100.00 |

CALIFORNIA PRUNE AND APRICOT GROWERS, INC.

Early in January, 1916, I was invited to attend a mass meeting of prune and apricot growers in San Jose who were to meet for the purpose of discussing the advisability of organizing purely a Growers' Information Bureau, for the purpose of keeping the growers advised on market conditions. I called the attention of the assembled growers to the fact that while a bureau of information would be helpful, what was primarily needed was a live, co-operative marketing association, with an ample working capital in order that the growers might be enabled to cut out waste in the cost of distribution, and develop the markets in a manner that would enable the consumption of prunes to keep pace with the steadily increasing production. Otherwise, gluts and the killing of prices were sure to follow, bringing with them disaster to the grower.

At the request of the growers I submitted a series of recommendations to an adjourned mass meeting of the growers held at a later date. The following recommendations were approved by the mass meeting and a committee was appointed to carry them out. That committee which became known as the "Promotion Committee" worked hard and faithfully for the greater part of a year, overcoming all sorts of difficulties. The efforts of the committee were, however, crowned with final success:

"It is recommended that the mass meeting elect three men whose duty it shall be to appoint a promotion committee consisting of one man from each school district of Santa Clara County, and a reasonable number of representatives of the various other prune growing districts of the state.

"That such promotion committee shall immediately begin an educational and organizing campaign similar to the campaign that is being conducted by the raisin growers and by the peach growers.

"Said promotion committee shall have as its objective the organizing of a state association with a paid-up capital stock of not less than \$250,000 and nor more than \$1,000,000. The members of such an association shall agree to enter into a contract with the association for the association to market their crops for at least three years, with an option on the part of the association for two additional years' crops.

"The association on the other hand shall agree to pay its members such minimum price per pound for their crop as may be hereafter determined, less a certain percentage, hereafter to be determined, to cover the cost of operations.

"The association shall further agree on delivery of the crop to pay such proportion of the agreed minimum price as may hereafter be determined upon, the balance to be payable by interest-bearing notes due within six months.

"Failure to deliver on the part of the grower shall be covered by a definitely fixed penalty, say two cents per pound, as liquidated damages to the association.

"The agreement shall not go into effect unless, within a specified time hereafter to be determined, a certain percentage, hereafter to be determined, of the total acreage of the prunes in the state is contracted for under similar terms.

"When the required number of acres shall have been signed up, the signers shall choose 25 trustees from among their body, and these 25 trustees shall elect 7 directors who shall manage the affairs of the association.

"If, on the judgment of the 25 trustees, it shall be deemed wise as a protection to the absent stockholders, to have the state represented on the board of directors, then, in that event, the trustees shall call upon the State Market Director to nominate one of the 7 directors, who shall be acceptable to the trustees. Said nominee shall be approved by the Governor of the state and elected by the trustees."

The association has now been in existence a little less than two years. Its achievements during that brief period place it in the front rank of the co-operative marketing associations of the state, if not of the whole country, and command for it the admiration of all advocates of the co-operative movement.

The results accomplished in stabilizing a great industry under conditions that insure for it a permanent and growing future emphasizes the wisdom of the state furnishing the needed leadership to aid and encourage such movements.

The following statement, setting forth the work of the association, as prepared by Director H. C. Dunlap, tells a most interesting, if not inspiring, story:

"As members of the great family of food producers, the prune and apricot growers have realized for many years that the selling

price of their product ought to be fixed by the producer, and was not, because they could act only as individuals while unorganized, and as such were unable to make any impression on the market. Being many sellers to one buyer, the buyer must necessarily set the price; and the buyer of their fruit, who was the commercial packer, was prone to fix the price regardless of crop or market conditions. The customs of trade and conditions determining his profits were affected but little by the current price paid the grower. His profit was practically the same whether he paid the grower two or six cents for prunes; or six or thirteen cents for apricots. And it took much less capital to handle the cheaper fruit.

"It was a bargain and sale dicker between packer and jobber that fixed the price, and the packer's problem was simply to convince the grower that he must accept the going price. The grower learned that the cost to the consumer was usually some three hundred per cent advance of his receipts, and believed that a large part of this excessive increment consisted of unnecessary profits to useless middlemen. The growers gained at last a clear business perception that, by co-operation and combination in a selling agency, they could stabilize and increase their profits, while at the same time reducing the cost of their product to the consumer. By united action they could standardize the form and quality of this commercial product, and by advertising, greatly popularize it in the food market.

"They could do this only through control of a large majority of the aggregate output. Their hope of controlling the entire dried product of their kind of fruit included in no degree the purpose of increasing cost to the consumer. But a practical monopoly is necessary to eliminate the gambling manipulation of prices. Price fluctuation, so frequent and extreme through each season, has never been the effect of real crop or market conditions, but the juggling of market manipulators. Their gambler's chance existed in the frequent up and down of price shifting.

"In the history of the business there has been no year without price variation of 30 per cent to 75 per cent. Producers and the trade unanimously agree that stability of price is for the benefit of all concerned, except the gamblers who manipulated prices for their own gain. Prices should not be fixed until crop conditions are fully evident, which can only be shortly before the harvest of the fruit. And when fixed there is no commercial reason for them to change materially before the next crop. A slight and steady advance to cover cost of keeping will equalize profits through the year.

"In addition to the above condition, out of the very prosperity, especially in our prune industry, has grown the necessity of an organization such as ours. During late years quite profitable prices have maintained and growers have been induced to plant a vast acreage of young prune and apricot orchards in many productive districts of the state. One might very conservatively say that some sixty thousand acres of these young orchards will come into bearing in the next four years.

"Before a business man increases the output of his factory or whatever his producing investment may be, he takes certain definite

business steps in the development and establishment of a market to take care of the increased production. Up to the time of the organization of the California Prune and Apricot Growers, Inc., no steps whatsoever had been taken along this line by our growers. Selling as we were to competing speculators, we could look to no one for the development and maintenance of the more stable markets needed for the greatly increased production certain to develop. Some are inclined to refer to these possible conditions of over production as bogies, but we have on the other hand so many instances of the calamities resulting from similar conditions in the past experience of all industries, that as thinking men we can not but prepare. Over twenty-five years ago in our prune industry itself when excellent prices maintained, the planting of a vast acreage resulted during a period of eight or ten years following 1900, when prices a little above the cost of production maintained. Since that time in the ordinary slow process of evolution, without materially increasing our production, most excellent markets have come to maintain and another great increased planting has resulted. The speculators and packers who have been active in our market have had no interest whatsoever in the maintenance of price or standard. They have been interested purely in the speculative possibility of fluctuation. In our organization we have aimed to develop and look forward in the future to a power that will dominate the market to such extent as to warrant the advertising, standardizing and stabilizing of the commodity in the market to the point where prunes may become the most staple fruit product in the world, cured, canned, or fresh; and to the point where dried apricots shall become known as the most delectable and sought after of fancy dried fruit. Without a power such as will be available to us as growers through the support of this organization, we may look forward in the near future to that period of depression, over-production and glutted markets as truly a result of failure to prepare.

"These are some of the reasons which led to the formation of the Prune and Apricot Growers, Inc., which was legally established on the first day of May, 1917.

"As an achievement of the first season's activities of our association, we may cite most particularly our marketing of a large majority of the dried prune and apricot production of the state in spite of most adverse conditions. At the opening of the present great European war speculators were inclined to 'bear' markets by talk of possible inability to reach an export trade. Such talk was in no wise justified, for during the years and from the production of the seasons of 1914, 1915, and 1916 most excellent export markets maintained; whereas during the season of 1917 after the entry of the United States into the war, after the embargo on all shipments to Scandinavian countries, and after the commandeering of all shipping space to allies, the condition finally developed in which we were practically excluded from all possibility of export trade.

"In the apricot market in six years previous to the season of 1917 greater than seventy per cent of the dried production was marketed in the export trade. Out of the neighborhood of

190,000,000 pounds produced in six years previous to 1917 in the neighborhood of 115,000,000 pounds were sold to export. This leaves us with practically an annual consumption of from ten to twelve million pounds a year in our domestic market. In the season of 1917 it became necessary to market in excess of thirty million pounds in this same domestic market. In spite of the fact that the demand was diminished out of all proportion to the supply, the crop was finally marketed at prices not materially reduced from those of recent years. In war times it is expected that exorbitant prices shall maintain, in other words, war prices. This is caused by the fact that in many commodities the demand increases out of all proportion to the supply and allows for the machinations of profiteers and unscrupulous operations. Such a condition has not maintained in some of our dried fruit industries. In the case of prunes, in the season of 1917 just past, we had a production in excess of 200,000,000 pounds, possibly the largest crop ever produced in the history of the industry. The only previous season in which a similar production was recorded was that of 1912. In that season a 200,000,000-pound crop was finally marketed, with the assistance of 117,000,000 pounds export. This crop was sold by the growers at figures ranging from a 4- to a 2-cent basis. The 1917 crop has finally been marketed by our organization, with only a 20,000,000-pound government requirement to make up for the loss of an export market, in sizes and quality heretofore undesirable in the domestic trade, with a net average result to the growers of the state of possibly slightly in excess of a 6-cent basis on the better grades of fruit.

"A particular effect manifest in the first year was the stabilizing of prices and the forcing of the standard price to give a fair and adequate return to the grower. Commercial packers, quite contrary to the very low prices ruling early last season at which they might have become possessed of a large proportion of the production without the success of our association, in competition with us at a later date could secure no fruit from growers not in membership with us at a price less than that established by the association, and they found it necessary, in order to secure any proportion of fruit from nonmembers, to pay prices materially above that fixed by the association as its selling price.

"At the close of the first year's experience the association finds itself thoroughly established in the confidence of its membership and popular as a helpful and controlling influence on market conditions, even by those who for one reason or others are not willing to subscribe to its requirements. The financial aggregate of our first year's handling was in round numbers about nine millions.

"In preparing for the second year's operation the association has become possessed of and now has in operation thirteen packing houses in many different districts of the state. The association's activities, beginning as they do with the growers' delivery of the raw material, includes the warehousing, manufacturing and packing of the finished product as required by the trade. During the first year the association attended these manufacturing activities in private plants under contract, but finding a lack of economy in

this arrangement, it became necessary for the association to own and operate its own plants. For this purpose we have organized a subsidiary corporation known as the Growers Packing and Warehousing Association, Ins., in which we have financed the purchase of packing facilities in the neighborhood of \$500,000. Of course, as a result of the recent calamity in the prune industry due to early fall rains, our association, as well as our growers, has experienced a severe set back. Whereas this season we might have handled products valued at possibly some \$12,000,000, if our handlings amount to half of that, we will be most fortunate. We will be able to weather this season's, however, in the same way that any of our solvent growers maintain, and with proper management will be on deck for the seasons to come, unimpaired so far as our ability to accomplish the desired end is concerned.

"At the time our association was formed we made contracts with growers and contemplated only the handling of dried prunes and dried apricots, and our growers were considerably annoyed during the season of 1917 with our failure to handle the apricot pits. In the spring of 1918 after entering into contracts assuring us of a fair market, we were enabled to offer to the growers of the state an apricot contract, guaranteeing them an initial payment in excess of prices paid at any time during the previous season, and further payments that will undoubtedly net them in the neighborhood of \$40 per ton. During the season of 1917 they received in no instance greater than \$30 for their fruit, and in many cases much less. Some of the hold-over pits were sold early in the spring before our contracts came out as low as fifteen dollars per ton. Our contract had the effect of forcing speculative buyers to pay most excellent prices, and in some few instances prices considerably in excess of forty dollars were secured by independent growers, purely as a result of the association's activities. In one of our recently purchased packing houses we have developed a plant where we attend to the extracting of kernels from the apricot pits. In another plant we are developing materially along the line of by-products, in the use of the very small undersirable apricots in the manufacture of jam products. Also, we have made our start in the canning of dried fruit products, especially prunes. The canned dried prune prepared and ready for service should develop a most wonderful future.

"We have experienced the greatest difficulties of all in the handling of the dried apricot product. The apricot crop goes so largely to canning and green shipping purposes, that it is almost impossible to estimate the production at any time previous to the actual delivery of the finished product by the growers. At the same time, it is more or less necessary to make some future sale and disposition of these crops at an earlier date. We are now working on a plan which by a closer touch with the green shipping and canning industries we will have available the further information necessary. The aim and ambition of our association is to gain control of so large a percentage of the products of our orchards as to enable us to absolutely control market conditions. Through such control we aim to more perfectly stabilize prices, standardize

quality and most particularly advertise and educate the consuming public to recognize the value and quality of foods we have to offer. We hope to eliminate all unnecessary expense between producer and consumer and court the favor of the consuming public by making our products so attractive in price and quality as to greatly enlarge consumption, and at the same time maintain at all times the profit to the producer consistent with his costs and risks.

"As a further accomplishment of our association we might cite our success in the financing of the business in hand. During the first season on a capitalization largely paid up in growers' notes, which we had not demonstrated our ability to collect, we were able to get no unsecured loans from financial institutions. This second year, having demonstrated our ability to collect on paid up capitalization now in excess of a million dollars, we enjoy a credit with the banking institutions of the state equal to this capitalization, and a further credit limited only by the securities available. We have at the present time considerably in excess of six thousand members with whom we hold prune, apricot or pit contracts, in many instances all three. Expert accountants auditing our books at the end of our first fiscal year reported most favorably regarding our finances and methods."

CALIFORNIA TOMATO GROWERS ASSOCIATION.

For years the tomato industry of California was in a thoroughly unorganized condition. As a consequence the industry was in a precarious and uncertain situation. There was no stability to growers' prices and as a rule it was purely a matter of bargain and barter between grower and buyer. The poorly-informed grower or poorer bargainer got a minimum price for his tomatoes, when his neighbor who was shrewder and better informed got a higher price for his. Conditions such as these are not conducive to proper growth or development of any industry.

The tomato growers, appreciating their helplessness as individuals, realized that their only hope lay in collective action, and early in 1917 initiated a movement for organization. The experiences that the association passed through the first year are very well recited by President Mark Grimes of the California Tomato Growers Association whose statement follows:

"The tomato growers of California are enjoying the first fair price paid by the canners for their products for several years. This price of \$18 per ton f. o. b. growers' shipping point is not the result of a change at heart by the tomato packers, but it is the direct result of a growers' co-operative organization known as the California Tomato Growers Association.

"When the time came for contracting tomatoes to the canneries in January of this year, the best price we could secure was about \$12.50 per ton f. o. b. factories. The growers knew that this price meant bankruptcy. They had just passed through the season of 1917 on a contract price of \$10 per ton, and the average tomato

grower had suffered a loss to the extent of from \$10 to \$30 per acre. We all knew that we were facing higher cost on products for 1918. We had lost money at \$10 per ton the previous season, and therefore, \$12.50 per ton would never pay for the cost of producing a single ton of tomatoes. In desperation the promotion of a Tomato Growers Association was started. At first we did not figure on a state-wide organization, but under the advice and guidance of our State Market Director, Colonel Harris Weinstock, the organization committee was induced to conduct a state-wide campaign. The result of that campaign brought about the California Tomato Growers Association with over 1,200 members, thus giving us control of the major portion of the tomato crop of California.

"During the time that we were organizing, the packers succeeded in buying considerable tonnage at low prices in districts where the tomato industry was more or less unknown. They argued with the growers that an association to handle a perishable and annual product was impossible. They claimed that they could not and never would pay more than \$15 per ton. At this time there came the order from the United States Food Administration stating that the Army and Navy would not accept bids from any cannery where the price of the raw product exceeded \$15 per ton. This made a serious situation,—the natural antagonism of the canners backed by this government order, which apparently fixed the maximum price of \$15 per ton for tomatoes in California. This was enough to almost disrupt the organization. Nevertheless we continued the fight for a better price. Our representative was immediately dispatched to Washington. He succeeded in meeting with the Agricultural Committee of the United States Senate. All the facts and conditions regarding the tomato industry were placed before them. The same government order fixing the price of \$15 per ton for California, fixed the prices for

| | |
|--------------------|-----------------|
| Maryland ----- | \$22 50 per ton |
| Delaware ----- | 22 50 per ton |
| New Jersey ----- | 22 50 per ton |
| New York ----- | 21 00 per ton |
| Pennsylvania ----- | 21 00 per ton |
| Michigan ----- | 18 00 per ton |
| Indiana ----- | 18 00 per ton |
| Kentucky ----- | 18 00 per ton |
| Tennessee ----- | 21 00 per ton |

"We were not alone in our protest against this price fixing. The tomato growers of Maryland and Delaware protested strongly demanding \$35 per ton instead of \$22.50. Indiana and the middle Western States demanded \$25 to \$30 per ton.

"Our representative at Washington pointed out to the Agricultural Committee of the U. S. Senate that this price of \$15 per ton for tomatoes in California was a direct discrimination against the Western tomato growers in favor of the Eastern tomato growers. Why should Eastern tomatoes bring \$10 more per ton than Western tomatoes? Why should California packers and canners buy the best tomatoes in the world at from \$6 to \$10 per ton cheaper than they could be purchased anywhere else?

"As a result of this fight the Food Administration issued a statement claiming that they did not attempt to fix the prices to the producer, but were simply issuing an invitation to the canners to bid on government contracts. This was our first victory. No one can deny that but for an organization to fight for the growers, the \$15 per ton established by the Food Administration would have remained as a maximum price for tomatoes in California.

"With this difficulty set aside the directors of the association proceeded to determine a fair price for tomatoes for the season 1918. In order to do this they sent 600 questionnaires to the growers. These questionnaires contained every single item of expense in the planting, harvesting and cultivating of tomatoes. The growers were asked to state their costs based on the season of 1917. Several hundred of these questionnaires were accurately filled out by the growers and returned to our office. Compiling the results of this investigation proved beyond a doubt that it would cost about \$15.00 to produce one ton of tomatoes for the season of 1918. Therefore, in order to secure a fair and reasonable profit for ourselves, we named a price of \$18 per ton. Our entire output was sold at this figure. Time has proven that our demands were correct. It has also proven that we were very conservative, as no tomato grower will get rich at this price under the extremely adverse conditions which we have had to combat this season. It is seldom that in one season the farmer will face a dry year and a flood, each one taking its toll from his profits. Yet this is the actual record of the year 1918. Hundreds of acres that were planted in Sacramento and San Joaquin valleys, and also in the coast counties never matured, owing to the severe drought. Finally, when the harvest season was just about beginning and prospects for crops looked unusually good in Santa Clara, Alameda and Sonoma counties in the north, and Los Angeles and Riverside counties in the south, the northern and central parts of the state were treated to a deluge the like of which has never before occurred in the history of the state. Many thousands of tons of tomatoes were spoiled by the rain, and for many days thereafter it was impossible to pick or attempt to salvage what remained. Present figures available indicate that the loss from the rain will exceed 30 per cent of the entire crop.

"For these reasons the task of the California Tomato Growers Association has been unusually difficult. Crops have fallen below expectations and the grower has experienced a particularly disastrous season. Also in addition to unfavorable weather conditions we have had to contend with a continual antagonistic attitude on the part of the larger commercial packers in California. Those who refused to buy from the Association had purchased their tonnage in districts where the tomato industry was more or less unknown and were practically cut off from their supplies by the drought and rain. They, therefore, offered all kinds of inducements to our members to break their contracts and deliver their crops to the independent packers at a price ranging from \$2 to \$10 per ton higher than the association had fixed. In this connection we can say that the association has been a bulwark in stemming the advance in price. We have, therefore, adequately served one of

the purposes for which we are organized, namely, to protect the consumer.

"Many independent canneries have paid on an average of \$25 per ton to the grower to harass the association on this year's deliveries, and to discredit us as much as possible among the growers. Despite all this we will make deliveries to the canners according to the contracts entered into early in the year. We will keep our obligations 100 per cent, and it is a pleasure to state, at this time, that our membership today is almost double what it was one year ago.

"The tomato industry of California will be placed on a new footing by the efforts of the California Tomato Growers Association. To begin with the tomato growers of California can produce at least one-third more tonnage on their average to the acre than our Eastern competitors. In the second place we can produce a quality of tomato that is unsurpassed in the world. Experts unite in stating that the California tomato is superior to all other tomatoes for the manufacture of paste and puree. These qualities, combined with cheaper production, assisted and directed by a state-wide organization of the growers will enable the canners who are working with the association to put their products into every tomato market in the world. Co-operation has saved the tomato industry from bankruptcy this year. Co-operation will insure a fair price for the years to come. The factors that have dominated the tomato industry in California will never again dictate to the producer. Rather than submit to such ruinous prices as were received in 1916 and 1917, we will prepare to can and market our own products.

"We appeal to every tomato grower to join the association, to stand by the organization that protects him. The association can not protect your industry unless you support it 100 per cent. Every grower is to receive \$3 per ton extra on his crop this year by the activity of the association. In other words over \$300,000 extra will be paid to the growers as a result of the California Tomato Growers Association.

"It is up to the growers to continue the organization, otherwise they will have to accept whatever prices the canners are willing to pay. The association is a nonprofit, noncapital stock corporation. Every grower pays 50 cents per acre to join as a membership or entrance fee. Thereafter he pays 2 per cent of the gross selling price of his product to maintain the association. At the close of the season all money remaining in the treasury is paid to the growers on a tonnage basis."

NORTHERN CALIFORNIA MILK PRODUCERS ASSOCIATION, INC.

For several years earnest attempts on the part of dairymen had been made to organize marketing associations, all of which had met with failure. Early in 1916 a committee of dairymen called on me, explaining that the situation in the industry was disheartening and that unless something could be done along the line of organization there were many still darker days ahead for the producers. A survey made by

a depot. From my office revealed the fact that the prevailing prices paid to dairymen for their milk products were less than the cost of production. In due course with the aid and co-operation of a group of progressive dairymen, associations were formed in various parts of the state. These were federated into a state association. Through the medium of collective action it became more nearly possible to weather the distressful period through which the industry has passed in the last year or two, due to the greatly increased cost of production. Despite the larger prices obtained by and with the approval of the Federal Food Administration, because the association was in a position by the presentation of accurate and indisputable facts and records, to show the cost of production, many producers have been driven from the field. Without an organization that was in a position to convince the Food Administration of the justice of getting higher prices for their products, many more producers would have been driven out of the field, causing a consequent further decrease in production to the injury of the consuming public.

The following statement prepared by Manager H. M. Ellis of the Northern California Milk Producers Association, Inc., presents the story of his association, which is typical of the six other milk producer associations organized in various parts of the state, all of which are affiliated with the great state dairy men's association:

New York City-based National Milk Producers' Association, Inc., was the plaintiff; the Department of Agriculture and the United States of Canada were defendants.

[illegible]

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

1. The first of these is the fact that the United States has a large and growing population of people who are not citizens of the United States. This is a result of the large number of immigrants who have come to the United States in recent years, and the fact that many of these immigrants are not naturalized citizens.

[illegible]

change to whole milk, this being induced by the higher price obtained in the city for whole milk as compared to what is generally realized for butterfat. We have also found that the association has been of use in stiffening the prices paid to the producers by the large creamery operators.

"About September 1 this association bought the Orland Creamery which was a farmers' co-operative creamery, and are adding a large addition which will be completed very shortly. This addition will enable them to more than double the output of butter and also give room for the handling of cheese, condensed milk and casein. Since the purchase of this plant many new members have joined in that section.

"The association is also about to construct a large all-purpose utility plant at Nineteenth and B streets, Sacramento. This plant will be used for the handling of whole milk, sweet cream, butter, cheese, condensed milk, casein and sugar of milk, so that all the by-products of milk may be utilized, thereby realizing a better profit for the producer and a cheaper price to the consumer. We must remember that the interests of the consumer must be considered at all times and it is only with organization and control by the producers themselves that the many abuses existing today may be changed to show a better result to the consuming public.

"There are now seven milk producers' organizations in this state which will work through a central or state organization, which central body will become the sales and purchasing agency for the various associations. This association has since its start about a year ago handled nearly \$1,500,000.00 worth of products for its members, and, as each additional unit comes into operation it brings with it additional product, and when all units are in operation the good results to the dairymen will be very apparent."

MILK PRODUCERS ASSOCIATION OF CENTRAL CALIFORNIA.

This association covers five counties, namely, Alameda, Contra Costa, Santa Clara, San Joaquin and Stanislaus, and has an enrollment of membership representing approximately 26,000 cows.

In the whole milk it furnishes the greater percentage of all of this product goes into the cities of Stockton, Oakland, and other Bay cities.

In the manufacture of butter the association purchased in the month of May the Modesto Creamery which secures the highest market price. It is manufacturing at this time approximately 95,000 pounds of butter a day. The association has been enabled to pay the dairymen a higher percentage above San Francisco quotations than has ever been paid before, and has accumulated undistributed moneys in the sum of about

\$10, which more is used to apply on the indebtedness caused by the purchase of manufacturing plants.

latte

But the association purchased the Valley Creamery and it manufactures approximately 100,000 pounds of butter a day. The plant is making the dairymen of

this section a greater return and will undoubtedly pay for itself out of undistributed money in the course of twelve months' time.

The general condition of the association is most healthy and it has enjoyed the loyal support of its members. During the past ninety days the association entered into contracts covering the construction of a large milk sugar factory to be located at Modesto in connection with its creamery operations at that point. This milk sugar factory will have a capacity of taking care of 150,000 pounds of milk per day, and should be capable of giving the members of the association a most creditable return for their product.

The membership has increased and is increasing from day to day, and it is the general feeling on the part of the directors that in the next eighteen months the association will own, free and clear of any encumbrances, manufacturing plants to the value of \$250,000 without having been assessed any moneys for the payment of same, and at the same time have received a higher market price for their product.

The personnel of the association now consists of:

C. H. Geer, president.

Karl A. Gotshall, secretary and treasurer.

Lowell Gum (former manager of the Modesto Creamery), general manager.

H. E. Burch, manager of the Oakland Branch.

J. E. Humphres, manager of the Stockton Branch.

The directorate consists of:

H. E. Bridgford, Knightsen.

J. M. Balra, El Cerrito.

A. M. Standish, Milpitas.

H. Koopmann, Pleasanton.

L. W. Hutchins, Turlock.

Antonio Enos, Modesto.

Frank Cardoza, San Jose.

Guy Miller, Modesto, representing the State Market Commission.

ASSOCIATED MILK PRODUCERS, INCORPORATED.

The following is a statement from the Associated Milk Producers, Inc.:

The Associated Milk Producers comprises upward of two hundred dairymen in the counties of San Francisco, Santa Clara, Contra Costa, Marin and San Joaquin, who are engaged in supplying the San Francisco wholesale market with raw milk for human consumption. Organized in March, 1916, the association has gradually increased its business till it now furnishes approximately 95 per cent of all the milk distributed in San Francisco. The organization, though formed under the general business incorporation laws of California, is really co-operative in its character. Only milk producers are admitted to be stock-

holders and each stockholder must furnish at least ten (10) gallons of milk to the association to enable him to be a shareholder.

Two years ago in May the association contracted with the milk distributors in San Francisco to furnish each of them such milk as he should require for his customers. This contract will expire in May, 1919, and already the distributors are seeking its renewal for a further term.

The association through being able to deal for so many of the dairymen has succeeded in getting for its various members a uniform price for their product. Likewise it has secured increases of this price and has, when conditions warranted, lowered the price.

January 1, 1918, the price the association secured for its milk was twenty-eight (28¢) cents per gallon. Beginning April 1, 1918, the association reduced the price to twenty-five (25¢) cents per gallon and on September 1, 1918, it was again advanced to thirty-one (31¢) cents per gallon.

Because of war conditions prevailing during these price fixing periods the association came under the regulation of the Federal Food Administration. It has cheerfully co-operated with the Food Administration in all matters pertaining to its business and has latterly always had its approval of any changes in the prices of its commodities.

The association receives $1\frac{1}{2}$ cents on each gallon of milk it handles for its members. The service it renders for this compensation consists in seeing that the member's milk gets to its purchaser in good condition; that it is properly tested to ascertain its correct butterfat content and to see that it is not above the required acidity. It also collects the account for all milk sold and remits the proceeds to the persons entitled thereto. In addition to this it has each year declared a 5 per cent dividend to its stockholders.

In addition to the foregoing services the association also employs inspectors to visit the dairies of its members and see whether or not they are in proper sanitary conditions and also to aid where necessary its members in properly preparing their milk for market. In sending out these inspectors the association has particularly in mind co-operating with the Board of Health of San Francisco regarding such matters. It has also endeavored to induce its members to improve their herds and the quality of the milk produced and to adopt the latest dairying appliances on their farms.

The association is contemplating the establishment in the near future of a co-operative buying department for the benefit of its members and also has under consideration the construction of a milk product plant at Holt, California.

Finally the association believes that it has amply justified its organization not only by the services it has rendered to its members but also to the milk distributors of San Francisco and through them to the consuming public. It has always been able to meet every demand made upon it for milk except in very rare instances and it is confidently asserted that its customers would not wish a return to the conditions prevailing in San Francisco before its formation.

MILK PRODUCERS ASSOCIATION OF SAN DIEGO COUNTY.

This is one of the associations which contemplates affiliation with the Associated Dairymen of California, Inc. Its first annual report for the fiscal year ending June 30, 1918, emphasizes that the association has been a pronounced success; that it has eliminated waste in the cost of distribution, has secured for the producer the largest possible share of the consumer's dollar, has tended to keep the producer producing and in this wise has been of high value to the consumer.

In the absence of the foregoing benefits secured, many San Diego dairymen would have been driven out of the field and the cost to the consumers in that vicinity on milk products would consequently have been materially higher than they have been.

The following excerpts from the First Annual Report of the Milk Producers Association of San Diego County is likely to be of interest:

"During the winter of 1916-17, and the following spring, many meetings of the producing dairymen of San Diego County were held for the discussion of a plan of co-operative marketing of their products. Much dissatisfaction existed owing to the old method of individual bargaining between producer and distributor, by which it appeared impossible for the former to obtain sufficient returns on his product to insure his continuance in business. He had no means of enforcing his demands for a reasonable price for his product; he had no protection on the weighing and testing of his shipments.

"The crying need seemed to be for an organization which could make its voice heard in the establishment of prices; which would insure equal treatment to all producers on the basis of quality of their products; and which could maintain a satisfactory check on weighing, testing and grading of milk and its products.

"With the energetic assistance of Mr. H. A. Weinland, county farm adviser, the dairymen drew up a subscription agreement, which was circulated among the dairymen during the spring months, as a basis for the organization of the Milk Pooling Association of San Diego County, Incorporated.

"No mention is made here of those dairymen who rendered such valuable service in promoting the association, as the writer has no satisfactory record of their names and does not wish to slight some of these while giving credit to others. Appreciation is due Colonel Harris Weinstock, State Market Director, for counsel and encouragement given so freely during organization and since that time.

"At the close of the first fiscal year the members numbered sixty-six, of whom fourteen were marketing their own product.

"A most gratifying feature of our work is the progress that is shown in improving the quality of our milk supply. Our records show increasing percentages for the higher grades and falling percentages for the lower grades.

"The Associated Dairymen of California, Inc., with offices in Sacramento, is the state central association for the purpose of harmonizing the interests of local associations; for marketing their products, except fresh milk and cream needed for consumption in the home communities; for advising in the matter of legislation affecting the dairy interests; for feed purchasing; and for devising a uniform plan of operation for the various local associations. In a word, the Associated Dairymen of California is the strong governing body through which the producing dairyman will in time be enabled to assert his rights, provided he is willing to co-operate patiently with his local association and support it in every way.

"Before we began operations the distributor's share of the retail price of bottled milk was much more than at present. At that time the producer was receiving 54.74 per cent of the retail price, while the distributor received 45.26 per cent.

"Now there is a smaller margin than ever before for the distributor. We find the producer is receiving 61.29 per cent and the distributor 38.71 per cent, which we believe to be about the smallest proportion received by distributors in any city of the size of San Diego, or larger.

ASSOCIATED DAIRYMEN OF CALIFORNIA, INC.

The dairy industry of California from being thoroughly disorganized and chaotic in character, promises to become one of the most highly organized and stabilized industries in the state of California. First, because local associations have within the past two years been organized, and will continue to be organized to deal with the local problems, and secondly, because these local associations have become federated into an association known as the Associated Dairymen of California, Inc. These associations have, during the past year, handled approximately \$20,000,000 worth of dairy products.

Through the medium of the Associated Dairymen of the state it will be possible for the locals to find an outlet for their surplus product. The Associated Dairymen of California will likewise be in a position not only to do collective buying for the various locals, but will develop an export business which, in due course, is likely to grow to very large proportions. When it is remembered that such cold, bleak states as Wisconsin, Michigan and Minnesota are said to export each from seventy to eighty million dollars worth of dairy products a year, it simply indicates the great possibilities for export business on the part of the dairymen of California. It has been pointed out that the soil and climate of California afford advantages in dairying such as no other state in the

Union enjoys. In addition to this, the great merchant marine which will be at the command of the California producers, by utilizing the Panama Canal, will be enabled to lay dairy products down on the Atlantic seaboard markets from California at a lesser transportation rate than for the shorter distance by rail from the Middle West to Atlantic seaboard markets.

This should open out undreamed of possibilities for California dairy products, and the Associated Dairymen of California should prove a great boon to the dairymen of the state as well as to consumers generally.

There is herewith presented a statement in greater detail of the work of the Associated Dairymen, as prepared by its secretary, S. N. Ayres:

"The organization of the dairymen in the state of California started with a small aggregation of dairymen in the southern part of the state who got together an organization which was known as the California Milk Producers' Association, this association having been organized on June 18, 1914. The conditions surrounding the industry at that time became unbearable for the producer and as is usual, the dairymen were forced through circumstances to get together in order to try and secure a better price for their product, as conditions were so bad that unless same were relieved, they would have been compelled to get out of the business. This organization started out with a membership of about 400 and during its first year's work, accomplished a great many benefits for the dairymen and during the following year the dairymen in and around San Francisco organized what is now known as the Associated Milk Producers. This organization in San Francisco and Los Angeles attracted considerable attention and was followed by the organization of the Northern California Milk Producers' Association covering the territory surrounding Sacramento and including some four-teen counties, of which J. M. Henderson, Jr., was president.

"This association was also highly successful and was followed by the organization of the dairymen surrounding the Oakland territory into what is now known as the Milk Producers' Association of Central California. Then followed the organization of the San Joaquin Valley dairymen by the San Joaquin Valley Milk Producers' Association, with headquarters at Fresno. Then came the organization of the dairymen of San Diego County into what is known as the Milk Producers' Association of San Diego County, which was later followed by the organization of the Imperial Valley dairymen into the Imperial Valley Milk Producers' Association.

"Organization work is now under way in what is known as the West Side of the San Joaquin Valley, and this association is known as the West Side Dairymen's Association. A charter has also been granted for a similar organization covering Marin and Sonoma counties known as the North Bay Counties Dairymen's Association.

"All of these organizations are organized for the purpose of furnishing their facilities to their members at cost, to secure a higher quality of dairy products, to provide better manufacturing and marketing facilities, to purchase supplies in quantities for their members and to do any and all things that will tend to a more

economical and efficient production, manufacture and distribution of dairy products in order that the producer may secure a fair price for his products and that the consumer may buy these products at the least possible cost.

"During the period of the war all of these organizations co-operated with the Food Administration, both national and state and have been a big factor in stabilizing conditions and helping the Food Administration in securing the results for which it was formed.

"The Associated Dairymen of California was organized on the 4th day of September, 1917, and its membership consists of two representatives from each of the organizations before named, with the exception of the Milk Producers Association of San Diego County. The idea of the Associated Dairymen of California was to form an organization through which all of these district organizations could work to the end that a more economical distribution of their products might be attained. The district associations of the state handle the production and manufacturing of their products and also market milk and sweet cream produced by their members. The products such as butter, cheese, casein, sugar of milk, evaporated milk, condensed skim milk, powdered milk and other dairy by-products will be marketed on and after January first through the medium of the Associated Dairymen of California, who are now preparing marketing facilities for this purpose.

"During the past year approximately twenty million dollars worth of products have been handled through the Associations of the state and they now have in operation a number of butter plants and have in a course of erection, several general utility plants which will be able to manufacture milk into any form which may be required.

"The Northern California Milk Producers' Association is just starting the erection of a plant at Sacramento which will cost approximately \$150,000.00 and which will have the largest capacity of any plant in the state for the manufacture of dairy products.

"The plant at Modesto owned by the Milk Producers' Association of Central California is turning out between eight and ten thousand pounds of butter per day and by January first will be equipped to manufacture dairy products in any form. Their equipment includes an up-to-date sugar of milk plant and the value of this Modesto plant is approximately \$160,000.

"Mr. J. M. Henderson, a well known banker of Sacramento and also a breeder of purebred Holsteins, is president of the Associated Dairymen of California, as well as the local Sacramento unit, known as the Northern California Milk Producers' Association. Mr. Henderson has been very active in this work of organizing the dairymen of the state and has devoted a great deal of time gratuitously to this work, realizing that it is a public-spirited work which will result in a large measure of good to both the producers and consumers of the state.

"Mr. S. N. Ayres is the secretary of the organization and the offices are located at 213 California Fruit Building, Sacramento, California."

PACIFIC RICE GROWERS ASSOCIATION.

A rice growers' association was organized at Biggs in the year 1915. It was local in character and represented only a fraction of the rice acreage. Its first year's experience was precarious and uncertain and there was much dissatisfaction as to the results. At the request of some of the members as State Market Director I called a conference of leading rice growers and it was decided to change the plan of operations, to broaden its activities and to make of it a state association.

With that end in view an energetic campaign was conducted for several months, the membership greatly enlarged and the association put upon a more solid footing. The association has now taken its place among the prominent co-operative associations of California.

President J. H. Stephens, among other things, reports as follows:

"The market conditions in California for rice were formerly very unsatisfactory to the grower. After organization during the first year we found it impossible to sell our rice in California at a price to exceed \$1.65. The result was that the president of this association was sent to the Southern States and entered into a contract with the Lake Charles Milling Company to ship 200,000 bags on a toll basis. The price received at that time was from \$2.40 to \$3.40 per hundred net for No. 1 grade to the grower. The result was that the market improved quite materially in California and the rice industry as a whole turned out to be a profitable crop to the producer. The 1917 crop was handled in a similar way. The association placed a minimum price of \$4 on its rice but was unable to dispose of it. Finally a contract was entered into with the Lake Charles Milling Company of Lake Charles, La., to ship 500,000 bags on a toll basis similar to 1916. The prices received on that ranged from \$3.75 to \$5.00 net to the grower.

"If it had not been for the efforts of the association to take over the rice industry in this state, many producers would have been out of the business at the present time.

"It has been the policy of the association to collect from the producer 5 cents per bag commission for the handling of the crop. Last year there was rebated to the growers $1\frac{1}{2}$ cents a bag, and there was placed in surplus to carry on the work for the coming year $1\frac{1}{2}$ cents a bag.

"It is not the policy of this association to profiteer, and a just and equitable price is all that is asked for.

"For the 1918 crop the association entered into a contract with the Food Administration to dispose of the entire crop at a price of \$4.32 for No. 1 and No. 2 varieties. Thus far in 1918 there has not been a complaint from the members of the association.

"The association has convinced some of the mills of the Southern cities also to build mills in California, and one of the largest and most modern mills in the state is being constructed in Sacramento."

The rice industry of California has now become one of its prominent and rapidly growing industries that is destined to add much to the

wealth and the prosperity of the state. The credit for this is largely due to the Pacific Rice Growers Association, which has made it possible to broaden the markets for California rice, and to secure for the rice growers a living price for their product.

Prior to the advent of the association, the grower had no choice but to sell to the handful of rice millers in the state who, through a "gentleman's agreement" could, if so inclined, readily determine upon the price they would pay to the grower which, as a rule, was likely to be the least possible, regardless of what the world market price might be. If any co-operative marketing association has proven helpful to the grower to the industry and to the state, it certainly has been the Pacific Rice Growers Association.

CALIFORNIA ASSOCIATED OLIVE GROWERS, INC.

The growth of the olive industry in California is one of the most interesting in the state's agricultural history. Unfortunately, however, while California ripe olives have become known practically throughout the world, the crop of late years has become unprofitable owing to the rising costs of production and processing, and the variable features of the market. So much so in fact that olive growers found it necessary to find some way of improving the existing marketing methods with a view of eliminating the wasteful and speculative features. Meetings were held in 1916 at which co-operative action was decided upon, and with the assistance of the State Market Director an organization was perfected the same year.

While the association has faced many difficulties it has steadily grown stronger in membership and tonnage and has done much to popularize the product. Among other things accomplished, two large and modern processing plants have been built by the association in order to provide the proper facilities for processing at lowest cost.

The further progress of the association is well described by the following statement from President Crichton:

"The California Associated Olive Growers, Inc., organized in 1916, and now entering upon its third year of active existence, has already become a factor of no mean importance to its members and to the olive industry at large.

"Owing to the many handicaps confronting the upbuilding of an organization of this kind, dealing as it does with a product requiring an expensive process of manufacture and having as yet but a limited market, must of necessity be somewhat slow; but that progress is being made is shown by the increase in membership as well as by the substantial increase in tonnage of fruit from year to year. At this writing, the crops of the members are now being harvested and deliveries so far made to this association for distribution show a large increase over the entire output of last year—with a large proportion of this season's tonnage still to come in.

"Because of the heavy costs involved in the processing, canning and marketing of the finished product, the results of practical experience in the operation of the business undertaken by the association during the past year showed that the initial cost of membership had originally been fixed at too low a figure to adequately meet requirements, so it was deemed wise to raise the cost of membership from \$30 to \$60 per acre, and upon being put before the stockholders, the proposition met with loyal and prompt support, resulting in a gratifying addition of strength to the association from both a moral and financial standpoint.

"This readiness to co-operate shows a pleasing belief on the part of its members in the benefits to be derived from co-operative marketing and augurs well for the future welfare of the organization.

"Taking advantage of a new and important development in the olive industry, the Association will not this year process and can its own fruit but, instead, has contracted for the sale of its entire output, in the raw state, for a period of two years for processing by dry salt methods into Greek or Italian style olives, thus eliminating the commercial risks involved in processing and marketing a commodity still unfortunately regarded as a 'nonessential,' during the existing unsatisfactory trade conditions, but insuring to the grower the great advantage of a known fixed price for this product during the uncertain period of transition to normal times.

"The extraordinary demand for this particular class of processed olive, brought about by failure of importations from foreign fields, would seem to have opened up a new field or outlet for the California product which, if it can be maintained, must bring results of great import to all olive growers because it will absorb at a profitable price a certain proportion of the crop, damaged each year by climatic conditions, heretofore grown at a loss. This new development should add much to the future prosperity of the olive industry.

"Meantime, the two up-to-date plants of the association at Lindsay and Oroville, built in readiness for such operation as good policy may dictate, have been leased to the purchasers of the association's crop for the ensuing two years to provide facilities for processing the fruit.

"The executive office of the association has recently been moved to Corning, Tehama County, in order that the president might be in close touch with the business of the organization.

"The officers and directors of the corporation, elected at the annual meeting of stockholders in September, 1918, are as follows:

L. Crichton, President, Corning, Cal.

J. B. Morey, Secretary, Lindsay, Cal.

H. R. Bell, Orange Cove, Cal.

F. P. Roberts, Madera, Cal.

Oscar Warner, Oroville, Cal.

"The seat on the board of directors reserved for the representative of the State Market Director is, by request of the board, being held by the State Market Director in person for the time being."

CALIFORNIA PEAR GROWERS ASSOCIATION.

There are no more conservative farmers in California than the Bartlett pear growers. Many of these have been engaged in the industry for long years, and in the past when the demand was greater than the supply, have been highly prosperous.

In more recent years, with the volume of productive acreage increasing, and with the cost of production also increasing, the pear grower was faced with new and serious problems.

Unless conditions could be brought about that would insure him a stabilized market at living prices, his industry was facing a serious menace. Some of the more progressive among the growers realized as progressive growers in other activities had realized, that individually the grower was helpless to change conditions and that the only hope lay in collective action.

In the spring of 1916 I was accordingly called upon to undertake the task, as State Market Director, of organizing a Pear Growers Marketing Association.

A mass meeting of Sacramento River pear growers was called and largely attended. Much enthusiasm for organization was manifested and it looked as if the undertaking would promptly be formed on a broad basis. Opponents to organization, however, soon began a propaganda campaign. Some of the largest growers were induced by tempting offers to make long term contracts for their crops.

Such as these, of course, promptly lost interest in the movement and the smaller producers feared to venture into the undertaking alone. Precisely the same experience was gone through in 1917. Again, mass meetings were called and again the opposition got in its effective work and no collective marketing was done for that year. Late in 1917 the efforts of a live and energetic small group of pear growers, however, were enlisted in the movement. This handful of growers boldly took the bull by the horns and incorporated the association with only a trifling acreage in sight, secure in the belief that by pounding away at the proposition, success must follow.

Early in 1918 an aggressive membership campaign was started. Meetings were held in various pear growing districts which were addressed by the State Market Director, and by members of the organization committee, much volunteer canvassing among prospects was done by committee members, a number of paid solicitors were employed to supplement such efforts by a farm to farm canvass, with the result that by the harvest period of 1918, the association was in a position successfully to handle the season's canning crop for which specific purpose it was permanently organized.

The results of the first year's operations have realized the most sanguine expectations.

The association has rendered the growers a real service. It stabilized the season's price for canning pears, and insured the smallest and least informed grower for his product, in common with the largest and best posted grower, the full market value for his pears at the least selling cost.

With the foundation laid by this first season's work, the future of the organization is assured and it promises in due course to take its place among the most successful and growing co-operative marketing associations in the state.

The following statement furnished by President Frank T. Swett, to whom much credit is due for the success of the organization, tells more in detail of the work of the association for the initial year of 1918:

"It is estimated that there are about 17,000 acres of bearing pear trees in California. In addition to this there are about 30,000 acres planted but not yet in bearing. In 1917 the crop was about 90,000 tons. In 1927 it is possible that the tonnage may mount to 250,000 tons. Without organization, disaster would undoubtedly overtake those engaged in the industry.

"In June, 1918, thanks to the volunteer work of many prominent pear growers, assisted and advised by the State Market Director, the California Pear Growers Association (incorporated) began its work of stabilizing present markets, and planning for the future.

"In 1917, when there was no organization, growers who sold to cannery received from \$25 to \$40 a ton, a price which in many cases meant a loss, instead of a profit.

"In June, 1918, with the requisite acreage signed up, our first work was to ascertain the average cost of production, something that had never been done. Groups of growers from different districts met, and after days of investigation the directors decided to set a price of \$70 a ton on No. 1 pears and \$35 a ton on No. 2 pears. These figures insured a profit on well-managed orchards.

"In many sections the pear grower must plow, prune, cultivate, spray from four to seven times, to control the eighteen different insect and fungus pests which afflict pears, in addition to the costs of picking, sorting and hauling. He has to fight pear-blight at a cost in some orchards of not less than \$30 an acre annually. At the present time he is paying more than twice as much for labor and material as before the war.

"All these costs have been advancing by leaps and bounds. At the old schedule of prices growers would face bankruptcy.

"We found that there were about 6,000 tons of pears under long-term contracts, made before the war. To relieve these growers a conference was held with a committee of canners, under the auspices of the Food Administration, represented by Mr. H. Clay Miller, who acted as a mediator for both parties. The Food Administration has no direct authority over the price of pears. Upon our detailed showing of the advance in costs, the canners generously

and voluntarily advanced the 1918 price \$10 a ton, making a difference to the growers concerned of \$60,000. This enabled them to properly handle their crops and care for their orchards during the year to come. This action of the canners was greatly appreciated by the growers affected.

"Besides the pears affected by these contracts, over which of course the association had no direct control, the association had for sale to canneries about 6,000 tons.

"At first canners hesitated to purchase at the association price, fearing that possibly the government, which had announced its intention of commandeering 60 per cent of the canned output of pears might not approve this price, and might commandeer at a lower basis.

"But when we submitted our figures of costs of production to the government representative on this coast, he wired Washington that the growers' price was entirely justified both on the basis of cost of production, and upon the prospective demand for fresh pears in Eastern markets.

"By the end of July we had booked orders for every ton at our disposal, and could have sold a considerably larger tonnage, had it been available. Much to our regret we had to prorate among canners, and to decline orders from several canners who notified us of their requirements after we were sold out. We hope to supply every cannery in California during the 1919 season.

"The last two weeks of July and all of August were spent in attending to details of delivery, in inspecting shipments to see if they were up to standard, and in expediting the delivery of empty picking boxes to growers.

"At the close of the season we had marketed every ton of pears at the full price for the respective grades. In a half dozen cases growers failed to deliver up to specifications. This was due to the carelessness of tenants in shipping wormy or scabby pears. But with these exceptions, deliveries were acceptable. This is a good record, for we have 323 members.

"What did this result mean? Let us analyze the difference between 1917 (unorganized) and 1918 (organized).

| | |
|--|-----------|
| "1. The raise on contracts amounted to----- | \$60,000 |
| 2. The 1918 sales (\$378,619), if sold on the 1917 basis would have brought only \$210,000, making a difference to growers of----- | 168,619 |
| Total gain over 1917----- | \$228,619 |

"These gains were in a very large degree due to the work of the association.

"What did it cost to secure these results?

"1. The unpaid, volunteer work of leading growers who unselfishly gave their time and study to wisely planning an effective organization.

"They took no pay for their work, which could not have been duplicated for thousands of dollars, for it took days and months of attention and endeavor to convince some of their doubting and ultra-timid neighbors.

"2. For paid organizers the sum of \$2,545 was paid.

"In June we opened offices in the Consular Building, 510 Battery street, San Francisco, very modest quarters, at the trifling expense of \$25 a month. The expenses for the assistant secretary and one stenographer have been less than a total of \$300 a month.

"The writer deserted his own pear orchard during the season, and served from July 1 to September 15 as manager. For the whole marketing season, including the work of securing the raise on contract pears, and the placing of the 6,000 tons of association pears, the manager's salary (if prorated) would amount to less than 10 cents a ton. So we have been economical.

"We have closed the season without the loss of a single cent in bad debts. Nearly all the canners were prompt in payment, in spite of the difficult position of all canneries, owing to the government directing them to hold half the pack for future delivery, with payments in the dim future.

"Only one cannery failed in reasonable promptness and this was partly due to the difficulty of their securing accountants to handle their work. This cannery has now settled its accounts with us.

"Our relations with canners have been friendly. They have been fair with us, and we have tried to be equally fair with them.

"During 1918 it was thought best to confine our work simply to the cannery pears. We did not want to attempt too much the first season. While under our crop contract we could have handled all the dried pears of all our members, it was thought best by the members this season to market as individuals.

"However, the manager made a study of the changing prices on dried pears, and answered all inquiries that came in from members. One member informs us that one letter was the means of his getting the full market value for 20 tons of dried pears. At the prices his neighbors sold for the same week, his gain was \$600, or 1½ cents a pound. In 1919, if the members desire, we can make adequate preparations for getting full value for every ton of dried pears.

"The association has joined the California Federation of Farmers Co-operative Marketing Associations, which is at work planning for shipping connections, shipping space in steamers equipped with refrigerating rooms, and export connections for a variety of California products.

"It is within the bounds of probability that after the war is over there may be found in South America, markets for a considerable tonnage of late varieties of pears, and even of Bartlett pears, under refrigeration. The foreign markets for dried pears will not be overlooked.

"Many owners of young orchards who have as yet no pears to market are joining the association in order to build up a strong organization for the extension of markets to keep pace with the prospective enormous increase in annual production."

CALIFORNIA HONEY PRODUCERS CO-OPERATIVE EXCHANGE.

California is peculiarly adapted to bee culture because of its soil and climate and yet this industry with all its important possibilities has

had more or less of a vicarious and uncertain existence. The marketing of honey has been unscientific and altogether individual in character. Various previous efforts have been made to organize the beekeepers for marketing purposes, but with little or no success. This is largely due to the fact that the beekeepers are scattered widely over the state and there has been little or no cohesion among them.

On request, the State Market Director took up the question of forming a strong state marketing beekeepers' association, and as the result of an active campaign covering several months, during which many meetings were held with beekeepers in all parts of the state, the association was finally formed and incorporated during the month of July, last.

I herewith present a statement of the history of the association, as prepared by its general manager, Mr. A. B. Massey, which sets forth in detail the progress that the association is making:

History.

Experience has proved that the producers of all agricultural products sell their produce more successfully, are more certain of getting a good profit and making a commercial success of their business, through co-operation in the handling and selling of their various products.

The beekeepers in California and other states have, to a limited extent, practiced co-operation for several years through their county clubs and other small local organizations.

Some years ago the California State Beekeepers' Association was formed to meet once a year in different parts of the state, as a means through which the producers of honey could get in closer touch with one another and with the general conditions pertaining to their industry.

At the regular annual meeting of the California State Beekeepers' Association held in Sacramento, California, November 5-6, 1917, it was decided that a marketing association to handle the product of the beekeepers of the state was a necessity. Acting on this decision, the president of the California State Beekeepers' Association appointed a promotion committee, consisting of:

| | | | |
|-------------------------|-------------|-------------------------|-------------|
| L. L. Andrews..... | Corona | J. A. Mack..... | Rialto |
| J. D. Bixby, Sr..... | Covina | J. C. McCubbin..... | Reedley |
| Geo. J. Brown..... | Tustin | W. J. Oats..... | Lompoc |
| Francis J. Colohan..... | Poway | Oliver Parkes..... | Davis |
| Mrs. M. E. Engles..... | Chico | M. C. Richter..... | Modesto |
| B. B. Hogaboom..... | Elkgrove | Chas. M. Van Dusen..... | Pomona |
| Fred K. Howard..... | Hanford | J. K. Whidden..... | San Jacinto |
| F. D. Lowe..... | Bakersfield | A. E. Whiteside..... | Oxnard |
| Willis Lynch..... | Salida | J. Edgar Ross..... | Brawley |

to confer with the Market Director of the state of California, draw up necessary contracts, and take such other steps as were deemed necessary and advisable to organize a marketing association.

This promotion committee met in Los Angeles soon after with Market Director Harris Weinstock, at which time preliminary arrangements were made for the organization. The exchange and marketing agreements were then drawn up, and, at a meeting of the executive committee of the Promotion Committee, which was held at the Alexandria Hotel in Los Angeles, California, February 26, 1918, the committee arranged with Mr. A. B. Massey of Fresno, California, to take charge of their campaign of organization and to take steps to complete such organization not later than July 1, 1918.

Plan of Organization.

The plan of organization adopted by the promotion committee is recognized by federal and state authorities as the most simple and the best known for organizing producers' co-operative associations.

The exchange is incorporated under the laws of the state of California on the membership plan and has no capital stock. Each member pays so much per colony to the organization on the bees he owns and contributes out of the money for his product a certain percentage, which pays all of the expenses of selling, warehousing and other operations.

In the different districts of the state exchange ten local exchanges have been formed, which are as follows:

Central Valley Honey Producers Co-operative Exchange, including Merced, Stanislaus and San Joaquin counties.

| | |
|----------------------------------|------------------|
| President, J. H. Flory----- | Dos Palos |
| Secretary, M. C. Richter----- | Box 688, Modesto |
| Principal place of business----- | Modesto |

Inyo Honey Exchange, including Inyo County.

| | |
|----------------------------------|--------|
| President, A. Shelly----- | Bishop |
| Secretary, W. A. Trickey----- | Bishop |
| Principal place of business----- | Bishop |

Southern Valley Honey Producers Co-operative Exchange, including Madera, Fresno, Kings, Tulare and Kern counties.

| | |
|----------------------------------|------------------------------|
| President, W. E. Kil Kenton----- | Hanford |
| Secretary, R. H. Ellithorpe----- | 452 Calaveras street, Fresno |
| Principal place of business----- | Fresno |

Imperial Valley Honey Producers Co-operative Exchange, including Imperial County.

| | |
|----------------------------------|-----------|
| President, J. W. George----- | El Centro |
| Secretary, A. G. Soares----- | Brawley |
| Principal place of business----- | El Centro |

Orange County Honey Producers Co-operative Exchange, including Orange County.

| | |
|----------------------------------|-----------|
| President, Geo. J. Brown----- | Tustin |
| Secretary, J. Remy Lee----- | Santa Ana |
| Principal place of business----- | Santa Ana |

South Coast Honey Producers Co-operative Exchange, including Santa Barbara and Ventura counties.

| | |
|----------------------------------|-------------|
| President, J. G. Linebarger----- | Santa Paula |
| Secretary, Chas. C. Orr----- | Ojai |
| Principal place of business----- | Ventura |

Superior California Honey Producers Co-operative Exchange, including all of the state north of San Joaquin County.

President, B. B. Hogaboom.....Elk Grove
Secretary, Harry K. Hill.....Willows
Principal place of business.....Sacramento

Orange Belt Honey Producers Co-operative Exchange, including Riverside and San Bernardino counties.

President, H. T. Wagner.....Redlands
Secretary, E. W. Horne.....Riverside
Principal place of business.....Riverside

Los Angeles Honey Producers Exchange, including Los Angeles County.

President, J. D. Bixby.....Covina
Secretary, Chas. M. Van Dusen.....Los Angeles
Principal place of business.....Los Angeles

San Diego County Honey Producers Co-operative Exchange, including San Diego County.

President, Geo. E. Swain.....La Mesa
Secretary, Chas. B. Justice.....Alpine
Principal place of business.....San Diego

These locals are all affiliated with each other in a state-wide association known as the California Honey Producers Co-operative Exchange, organized as a nonprofit, co-operative association under the laws of the state of California, with no capital stock. Two members of each of the local exchanges are elected to represent their local in the state association with the State Market Director of the state of California, who is also a member of the State Exchange. These members elect a board of seven directors annually, including the Market Director or his representative. The board of directors has full and complete charge and supervision of the exchange in all of its operations and the sale of the products of the members, also in the purchasing of their supplies.

The present board of directors was elected July 5 to serve until the end of the fiscal year of the exchange—the second Tuesday in April, 1919, and are as follows:

J. D. Bixby, Covina, Los Angeles County.
Wm. Gunterman, Calexico, Imperial County.
Chas. B. Justice, Alpine, San Diego County.
Oliver Parkes, Davis, Yolo County.
M. C. Richter, Box 688, Modesto, Stanislaus County.
W. A. Trickey, Bishop, Inyo County.
Hon. Harris Weinstock, 606 Underwood Building, San Francisco.

The officers of the Exchange are as follows:

J. D. Bixby, president.
M. C. Richter, secretary.
Chas. M. Van Dusen, assistant secretary.
Chas. B. Justice, vice president.
Willis I. Morrison, counsel.
Benj. F. McLouth, auditor.
A. B. Massey, manager.
First National Bank, Los Angeles, depository.

The offices of the Exchange are in the Wholesale Terminal Building, rooms 203-7, Los Angeles, California, and the Exchange will take pleasure in answering any and all inquiries in regard to the association and will furnish detailed information to anyone interested. Any beekeeper in the state who is not a member of the Exchange at the present time will be welcomed upon his making application to join.

The Exchange was organized principally to market the honey and other bee products of its members, purchase the necessary supplies for the carrying on of the production end of the beekeepers' business; and the development of a greater demand for California honey, as well as the establishment of a more uniform price both to the producer and the consumer.

Sales of a few cars of honey have been made to date, and there is no doubt but that the balance of the 1918 crop in the hands of the beekeepers will be disposed of at a good price.

The management expects that the Exchange will be in a position to purchase the necessary supplies for members for the coming year at reasonable prices and at a satisfactory saving over the prices charged by the local dealers.

ALFALFA GROWERS OF CALIFORNIA, INC.

Giving promise of being one of the greatest agricultural industries in the state, alfalfa is among the last of the largest important products to be organized of all the various productive industries in California. Probably no other farm industry has grown so rapidly and at the same time remained in so chaotic a state, to the serious loss of the producers and the confusion oftentimes of the consumer, as alfalfa growing.

Being among the best of the leguminous fodders available, both for dairying and cattle raising, etc., and producing some four to six crops yearly, it was only natural that a demand should be created and that this demand should be reflected in a rapid growth of the industry—up to a certain point. Of late there has been a decided tendency on the part of many farmers to reduce acreage. This may be due to the same reason which has caused many dairymen to reduce their herds at times, or the cattleman his stock. On the one hand, however, the monetary returns to the growers have not by any means kept pace with the rising cost of operation and equipment, while on the other hand, the lack of a stabilized market has caused serious losses to the alfalfa grower. Practically no product of this state has been subject to such severe fluctuations in price as alfalfa, which has often ranged from \$8 per ton, baled, to \$30 per ton and higher. The fact remains, had there been some measures taken to safeguard the interests of the alfalfa producer in the past, it is safe to say that a far greater acreage would be planted to alfalfa in California than is now the case.

Alfalfa is a crop that requires continual attention. It also produces many crops during the year, all of which must be harvested at considerable cost. The grower as a consequence must have money to finance his operations. As the crop is bulky and requires considerable space for warehousing, it is often impossible for the grower to get his hay under cover, and at times he is subjected to severe loss from the elements. At the same time, warehousing, like the marketing of alfalfa, is expensive to the grower. Like others, he must have money to continue. As a matter of fact, conditions have been such during the last few years that the alfalfa grower has been forced to sell against himself, that is, sell his hay early in the season when prices are lowest, when, if he could have stored his hay, he would have received the full benefit of his efforts in higher returns on a later rising market. With many of the growers dumping their hay on the market in the early part of the season, the effect has been to still further depress the market, not infrequently below the cost of production. Alfalfa growers are thus confronted with difficult problems of financing. Speculative buyers are, as a rule, quick to see the opportunity, and purchase during the flush part of the season at the lowest rates. They are also able to hold their purchases in warehouses, thus reaping the benefit of the fat price during the lean part of the year. The farmer as a rule derives no benefit from the resultant high prices.

A demoralized industry has been the result. While the demand continued and steadily increased; and while the consumer was time and time again forced to pay high prices for alfalfa, the farmer received little share in the profits. Many of them struggling against the tide of increasing costs or unfavorable seasons, at first limited their acreage, or, finally embittered, converted it entirely to other crops, in spite of the fact that the supply has frequently not been equal to the domestic requirements of the state.

With the thousands of acres in the state being plowed under or limited to only local requirements; with summers of low prices and winters of high prices, when the hay was mostly in the hands of speculators or brokers, it was realized that only through collective action could the industry be stabilized, the grower assured of a steady and reasonable market price, and the industry again brought to a high state of productivity, when a surplus for outside markets would be the rule, rather than the exception.

While there had been one or two unsuccessful efforts on the part of scattered groups of alfalfa growers to organize in order to obtain the full market value of their product, assuring them a reasonable profit over the cost of production, the first successful movement was that of the progressive growers south of the Tehachapi, who in 1917 formed

the California Alfalfa Growers Association, with headquarters at Riverside. The progress of their association may best be described in a letter from Mr. H. R. Moses, vice president, who said in part:

Riverside, Cal., July 25, 1918.

*Colonel Harris Weinstock,
State Market Director,
606 Underwood Building,
San Francisco, California.*

DEAR COLONEL:

In connection with your present work of organizing the alfalfa growers of the state, I believe the following will be of interest:

Our present organization, now in the second year, embraces about 65 per cent of the marketable alfalfa acreage south of the Tehachapi.

We have been successful in stabilizing a market and securing for our members a fair profit on their business.

So organized, we are the largest individual seller of alfalfa in the state. We keep accurately in touch with the market conditions and are always in position to get the best available price for our members.

We have materially strengthened the financial resources of our members, both through the association and as individuals, by good co-operation of local banking institutions. * * *

Yours truly,
CALIFORNIA ALFALFA GROWERS ASSOCIATION,
(Signed) H. R. Moses, vice president.

This association, however, operated only south of the Tehachapi and alfalfa growers throughout the San Joaquin and Sacramento valleys remained at the mercy of the speculative interests. This condition obtained in 1918, when I received requests from many growers, both large and small, to come to their assistance in forming a state-wide association. I therefore called a meeting of representative growers, including those in the southern part of the state, who were already members of the California Alfalfa Growers Association. This meeting was held in my office April 10, at which were present also the representatives of the southern association. An organization committee was appointed, a plan of organization drawn up, and an intensive campaign was launched for members, with the southern members forming a nucleus.

Owing to the fact that the season was advancing rapidly and it was desired to handle the members' hay as early as possible, a corps of efficient solicitors were sent into the field, meetings were held throughout the state, addressed by the State Market Director, and by August 30, some 800 members representing approximately 25,000 acres of alfalfa were signed up. This was considered by the organization committee at a meeting held in Fresno on that date, to be sufficient to proceed with the formation of the association, and the organization was accordingly

incorporated as a nonprofit co-operative corporation, without capital stock. The following temporary directors were chosen:

| | | | |
|------------------------|-----------------|----------------------|---------------------|
| E. B. Armstrong----- | Earlimart | George I. Lytle----- | Perris |
| W. E. Cole----- | St. Helena | Jacob Mansar----- | Altadena |
| Ralph Crowther----- | Brentwood | E. D. Marselus----- | Chico |
| J. L. Farrar----- | Riverside | H. C. Merritt----- | Tagus Ranch, Tulare |
| J. H. Glide----- | West Sacramento | H. R. Moses----- | Perris |
| Edward Paul Haupt----- | Pasadena | Harry Tapp----- | Kingsburg |

Hon. Harris Weinstock, State Market Director.

At the present time the association controls over 30,000 acres of alfalfa. A general manager, Mr. J. W. Thomas, of Porterville, has been appointed and the association is preparing to market the hay of its members before the end of the year. The headquarters of the association are at Los Angeles and sales offices are being opened at San Francisco and other points. Progress is also being made in obtaining additional members. Three-fourths of the members of the southern association have already joined the state association and it is expected that practically all the rest will join by the end of this year. The southern association has also moved its sales office to Los Angeles and is co-operating with the state association by handling the hay of such members of the latter as desire.

In order to overcome the necessity for the grower in many instances having to place his hay on the market early in the season regardless of low prices, to the detriment of himself and of his neighbor, the association, in its agreement, proposes to:

(a) Make advances to its members whose hay is to be stored for later markets.

(b) Build warehouses in central districts, where possible, for the purpose of holding the hay.

In addition to this, and in order to reduce the cost somewhat to the grower, the association will purchase equipment and supplies at wholesale for its members.

As the lack of proper warehousing facilities has often been responsible for many of the growers' difficulties in financing and has forced him to sell at any price, the establishment of warehouses is considered of prime importance. In this regard, Manager J. W. Thomas writes:

"It will be the policy of the Alfalfa Growers of California, Inc., to develop at as early a date as possible, such warehouse facilities in alfalfa districts as will enable the producer to have better care for his product and also to place it in a position whereby the member will be enabled, if desired, to use such facilities as a foundation for credit in his local transactions.

"In the operation and active work on the part of the association in the capacity of selling and distributing we are, daily, having

brought to our attention circumstances, conditions and experiences that justify this and many other needed developments in connection with the affairs of the association, showing as they do tremendous waste and expensive conditions that now prevail which affect directly the interests of the producer and naturally ultimately affect the interest of the consumer."

Among other things, the association will endeavor to accomplish the following:

1. To stabilize the market and place the business upon a profitable basis thereby stimulating and increasing production.
2. Sell direct to the consumer, reduce distributing cost and eliminate lost motion and waste in distribution.
3. Eliminate the speculative features and insure the grower getting the full value of his product instead of having a large percentage of his value going to speculative interests.
4. Broaden the market for alfalfa.

By developing outside or Eastern markets for surplus alfalfa gluts on the market will be prevented as well as the depression of prices in home markets below the cost of production or of reasonable profit.

One of the problems of the alfalfa industry has been its heretofore defective marketing system. Frequently it has not been an uncommon sight for alfalfa shipments to pass each other from one productive district to another productive district at varying prices to the grower. Thus alfalfa grown in Fresno County has been shipped to other markets while alfalfa grown in Tulare County has been shipped to Fresno County at additional cost to consumer. This condition will be obviated by the association wherever possible and local trading permitted by its members to satisfy the home markets.

It is estimated that there are upwards of eleven million acres of untilled land in California available for alfalfa. In addition to this, owing to unsatisfactory conditions, the present alfalfa acreage has been gradually decreasing to the detriment of kindred industries. The association will therefore endeavor to stimulate the production to the greatest extent. In this way the interests of the consumer will be protected. At present the market for alfalfa hay in California is local. Seldom having a surplus over local requirements, and because of high transportation rates, it has been impossible for the grower to take advantage of higher prices offered in outside markets. One of the chief aims of the association will be to broaden the market for alfalfa. On the Atlantic seaboard, with its thickly populated districts where there is a comparatively unlimited demand with prices in the neighborhood of \$30 per ton and over, lies a potential market for California-grown alfalfa. With ships of the rapidly growing merchant marine placed by the United States Shipping Board at the disposal of Pacific coast and

Panama Canal trade routes, rates on ocean carriers plying between Pacific and Atlantic coast ports will be lower than under the pressure of war activities. By availing itself of transportation facilities to Atlantic coast ports via the Panama Canal, the association will thus assure for its members net returns as high or higher in many cases than in local markets as well as stabilize the market in times of surplus production.

The outlook for the association is very promising. It is estimated that of the total acreage of alfalfa in the state fully seventy-five thousand acres are devoted to raising alfalfa for the market, of which the association already controls a large percentage. At the present rate of increase in membership, it is expected that this percentage will be very greatly increased by next season.

From the favorable replies of members already received by the manager as to the quantity of alfalfa to be marketed, it is expected that the association will have a considerable tonnage to handle this winter at prices favorable to the grower. By establishing the policy of selling direct to the consumer, the full value of his product will thus be assured to the grower. The successful organization of this association is gratifying when it is realized that by co-operative action the industry will be placed upon a sound basis, eliminating the innumerable adverse features heretofore existing. The association is expected to prevent the enormous losses to the growers that have occurred in the past and at the same time will prove a protection to consumers.

CALIFORNIA BEAN GROWERS' ASSOCIATION.

Organization of the bean growers was commenced early in 1917 with a view to providing the industry with a more scientific method of marketing. Of late years California has forged ahead rapidly in bean production until a normal output of from three to five million bags was reached.

With the call for added production, the acreage planted to beans was still further increased during 1917 and 1918. It was, therefore, necessary, in the face of this rapidly growing industry, and with no assurance of a stabilized market or of returns commensurate with the cost of production, that bean growers be protected from the usual depression consequent upon a heavy production and an unorganized industry. In addition to an unsystematic method of marketing, they were faced with a greatly increasing cost in production, while bags were not only becoming scarce, but rising in price steadily, all of which meant serious problems to the grower.

The lima bean growers had already become strongly organized in the southern part of the state, but it was found expedient for the time

being to bring the growers of other beans together in a separate organization. A number of conferences were held early in 1917, attended by many of the largest bean growers of the state, resulting in a definite plan of organization, and the formation of an organization committee, composed of G. A. Turner of Stockton, Lincoln White of Sacramento, and A. H. Poor of Newman. A campaign was launched and by February, 1918, the committee's desired objective of members representing an aggregate production of 400,000 bags of beans, was attained. Promotion funds were provided through payment by subscribers of the nominal sum of 2 cents for each one hundred pound bag of beans produced by them.

Having reached their preliminary objective, and with the concurrence of the committee, the organization was accordingly incorporated as a nonprofit corporation, without capital stock. The voting power of directors was established on the tonnage basis of one vote and unit of interest for each ton of beans produced.

With the corporation formed and directors elected from each of the principal bean producing districts north of Fresno, a vigorous campaign was started for increased membership with an objective of subscribers representing 1,000,000 bags by September, 1918. This campaign period terminated very favorably, an excess of that amount being assured. By the close of this period, there was a surplus of over \$600 of promotion funds, the entire expense of organization having been paid out of initial fees.

The prospects of the association are considered bright and the aid rendered to growers of a substantial and constructive character. While heavy losses occurred in some districts due to rain damage, this condition was alleviated to some extent by the association which, by prompt financial arrangements and by providing warehousing and processing facilities, was enabled to save and improve for many of its members much of the supply of beans that otherwise would have been unmarketable.

A portion of the association beans have already been marketed, principally through government channels, at fair prices to the members. The association is preparing now to find other and wider markets for the balance of the supply on hand.

Of the difficulties with which the association has been faced, President G. A. Turner reports the following:

"During the period of organization many members were burdened with so-called 'spot beans,' of which it was necessary to dispose in order to prepare the way for the new crop. The association had not at that time established a marketing department, but agreed to aid the growers in every way possible. Through arrangements by the organization committee, it was finally successful in selling for its members a large portion of these 'spot beans' to the federal government.

"The association was the first co-operative organization to make a voluntary agreement as to price with the government, having been in close and friendly touch with the Food Administration at all times and meeting all requirements. As the United States government failed to absorb all of the 1917 crop, a considerable portion of this crop was carried until late in the season. Again with the co-operation of the Food Administration, sales were made direct to the Norwegian government, to whom trainloads of beans were furnished, with no intervening commission or brokerage charges. These sales were of benefit in reducing the "carry over," which would have added materially to the difficulties of obtaining a reasonable price for the 1918 product.

"In spite of the depressing effect of the slow movement of the 1917 crop, the association was largely instrumental in influencing growers to larger planting in 1918, in accordance with the government's desire for increased food production.

"Bean growers generally throughout the United States have responded most patriotically to the plea that food would win the war, with the result that a tremendous volume of beans were produced. The underlying thought of the growers in general seemed to be that a surplus, with resulting low prices, would be better than the embarrassment due to a shortage. As it developed, the resulting crop has occasioned some embarrassment. Owing to the necessity of independent growers, quantities of their beans have been marketed below the cost of production. Fortunately for the members of this association, their urgent financial requirements have been advanced to them by the association, which has refrained from adding to the difficulties of the situation by offering beans at a time that would cause a killing depression.

"The first government business in this product developed early in December, 1918. As the Food Administration's policy is to buy commodities of this character in the open market, paying the ruling market price, the association, emphasizing its policy to meet at all times the conditions brought about by supply and demand, furnished a considerable portion of this December order, but not to an extent that would prevent the government from first absorbing practically all of the low priced offerings thrown on the market by nonmember growers.

"The unsatisfactory season that the California growers have been confronted with, and the fact that the warehouses were already carrying almost capacity loads of barley, which had not as yet found a market, added materially to the cost of bean production and distribution, and caused heavy loss in many sections.

"The immediate financial requirements of the grower members were very large. Banks had already tied up considerable capital in loans on barley. This, as well as the various war work campaigns and activities, added to the difficulties of the bean growers, who desired to borrow capital to tide them over. Happily, all of these difficulties were finally overcome, with the result that the large volume of beans raised by members were held off the market at a time when their offering would have resulted in actual disaster to all bean growers.

"When government business was first offered, specifications were based on 1917 conditions, but owing to tremendous rain damage, this practically excluded from participation the California beans. With the aid of the association the bean growers were able finally to obtain a modification of these government restrictions, making it possible for northern California bean growers to participate in government orders.

"It must be remembered that this association is a nonstock, non-profit corporation, without capital; yet it has been possible for the management, after many trying difficulties, to meet the financial requirements. One of these difficulties was the establishing of warehouse facilities. We were able finally to solve this problem, and up to the present time the association has made adequate arrangements with important districts for ample warehouse and processing facilities. Nineteen warehouses are available now to the members of the association, with an automatic insurance coverage of \$200,000, making it impossible for any beans to be turned over to the association without having immediate insurance protection.

"The association has also managed to make a material saving to its members on sacks. One gratifying demonstration is the number of volunteer members that are coming in daily, and at the present time 75 per cent of the bean producing land of northern California is under control of the association. The operations of the association have been confined to the northern part of California, from Monterey County in the south, extending as far north as beans are commercially produced.

"The conviction of the directors of the association is that with the demand continuing, there should be no apprehension as to the association obtaining a fair price for its beans.

"In 1916 this commodity reached the distributor at practically 100 per cent in advance of what the grower received. Although the association was in only a formative stage in 1917, the average price obtained for the grower was maintained, while the price to the consumer was $33\frac{1}{3}$ per cent less. It is quite reasonable to assume that these results, now that the association is better organized and stronger in every sense, will be realized also in this year's crop."

Commenting upon President Turner's statement, it has been pointed out that had there been no bean growers' association in 1918, the results would have been most disastrous to the California bean industry. The conditions facing the growers were in the nature of an unprecedented combination of unfavorable circumstances.

The small limit which the Federal Food Administration had placed on the profits to be allowed to the speculative buyer, had completely destroyed his speculative interest in the product. As a consequence, he was unwilling to buy except from hand to mouth. This left the producer with no buyers except for the merest handful of the product. Furthermore, the banks, with abnormal demands made on them by the government, with large advances made by them to barley and to other

growers, with a weak and declining bean market staring them in the face, were in no frame of mind to look with favor upon requests for financial accommodations coming from bean growers. On top of it all, the bean grower found himself faced with demands upon him for ready cash to meet his abnormal cost of production that stressed him to the limit.

For example, talking to a prominent bean grower in Watsonville recently, he pointed to a group of near-by schoolboys, between the ages of twelve and fourteen, and mournfully said: "You see that group of youngsters over there. Well, I have been obliged to pay them to harvest my bean crop at the rate of forty-five cents an hour, which is equivalent to something over one hundred dollars a month, despite their pronounced inefficiency, and this, mind you, for doing unskilled work." Without an association, the great majority of growers would have been forced to throw their beans on the market at any old price to meet their pressing demands, with the result that despite the greatest cost of bean production in the history of the industry, the price realized on a demoralized market would have spelt financial ruin to untold numbers of helpless and unfortunate growers. Here is where the association was in a position to lend the grower a helping hand. By virtue of the influence of the members of its board of directors and the security which collectively they were in a position to furnish the banks, they were able to secure banking accommodations where the individual grower had failed. This made it possible to financially tide over many distressed growers, to enable them to store their beans and to feed them out gradually as the market could absorb them at a more nearly living price.

If the association should do nothing more to aid the growers, this one great service rendered the members this past season, will many times have justified its existence and will have placed the bean growers of the state under lasting obligations to the association.

CALIFORNIA FEDERATION OF FARMERS CO-OPERATIVE MARKETING ASSOCIATIONS.

The following associations constitute the California Federation of Farmers Co-operative Marketing Associations:

- California Prune and Apricot Growers, Inc.
- California Associated Olive Growers, Inc.
- California Peach Growers.
- California Associated Raisin Company.
- Central California Berry Growers, Inc.
- Sebastopol Apple Growers Union.
- Poultry Producers of Central California.
- Poultry Producers of Southern California.
- Associated Dairymen of California, Inc.
- California Honey Producers Co-operative Exchange.
- California Pear Growers Association.
- Alfalfa Growers of California, Inc.
- Mutual Orange Distributors.

The aims and the purposes of the "Federation" are as follows:

(1) To secure co-operation on all problems of common interest to the said marketing associations.

(2) To secure an interchange of thoughts, ideas and experiences along progressive lines among the representatives of the member associations.

(3) To secure collective data on forms of organization and the dissemination of information relative to laws proposed and adopted, opinions and judgments of courts, commissions and tribunals involving the scope and limitation of the activities of co-operative marketing associations.

(4) To develop plans for:

(a) The further elimination of waste in the cost of distribution of products;

(b) The joint employment of brokers or salaried agents at Eastern marketing points;

(c) The joint employment of an all-year-round sales organization for the American home markets for the various California farm products, in their respective seasons, to be handled through the established wholesale channels or otherwise;

(d) The joint employment of demonstration organizations to aid, encourage and educate the retail dealers throughout the country to specialize on California food products;

(e) Joint effort in national publicity and educational advertising;

(f) Development of foreign markets by the joint creation of foreign-sales organizations.

(5) To suggest and carry out plans for:

(a) More favorable state and federal legislation in the proper interest of California farm products;

(b) Favorable federal tariffs affecting California farm products and joint opposition against the enactment of possible harmful or unfair tariffs.

(6) To develop plans for the collective purchase of supplies used by all or several of the associations for productive or distributive purposes.

(7) To develop plans for co-operation in securing proper transportation and proper transportation rates and facilities for California farm products.

(8) To develop plans for securing financial accommodations in the primary financial markets at the lowest possible interest rates.

(9) To develop plans for creating and maintaining a labor bureau or other methods for handling the labor problems of farmers and marketing associations.

(10) To suggest and do any and all proper things which, at any time or place, may be advantageous and beneficial to co-operative marketing associations in general and to the member-associations in particular.

In view of the fact that the United States Shipping Board under recent date has called attention to the fact that the time has come for Americans everywhere to put themselves solidly behind the American ships and that the federal government is building an American merchant fleet of twenty-five million tons (three thousand ships), also providing modern freight vessels and establishing bunkering stations all over the globe with the view of operating the merchant marine with American railroad efficiency so that American cargoes will be shipped at rates corresponding to our railroad rates, cheapest in the world, with fast American cargo liners running regularly to every port in Latin America, the Orient, Africa and Australasia, it has become evident that a new era of prosperity is thus made possible for the American farmer.

With the largest merchant marine in the world and the lowest transportation rates in the world, it will become entirely possible to ship a ton of California farm products from California to the Atlantic seaboard markets at a lower rate than the same ton can be reshipped by rail say from New York to Pittsburg. It will also become possible to ship a ton of California farm products from California to Liverpool by fast boats cheaper than it has hitherto been possible to ship a ton of California farm products across the continent. Not only this, but the new situation will place us in closest possible touch with South America and the Orient, with their teeming millions of consumers who will gladly consume many of our California products that are not produced in those countries and which we shall be in a position to put at their doors at prices within the reach of many.

That our California producers are awake to the possibilities for increased markets, especially in the Orient, is evidenced by the following report, prepared by Mr. C. A. Paulden of the Foreign Department of the California Associated Raisin Company, who spent considerable time recently in the Orient and Australasia, with a view of developing these markets for California raisins.

Report of Mr. Paulden.

Despite the fact that the transportation rates per ton will be much lower with the American merchant marine than ever before was dreamed of, the chartering of an entire ship by a group of shippers will afford still lower rates.

One of the objectives of the "Federation" in due course will be collectively to charter entire vessels for the Atlantic seaboard and foreign markets, loading them with the products of the member-associations;

thus reducing the cost of transportation to the finest possible point. In addition to this, through collective action they can have joint representation in foreign countries to receive and distribute their products at the lowest cost for distribution, all of which can not but add to the prosperity of the California producer and to the wealth and prosperity of the state as a whole.

I submit the following report of my recent trip to the Orient:

JAPAN: April 28 to May 22.

The importation of raisins in Japan at present is but small. The Japanese government has not published in its customs report the amount imported, but I got the custom house officials to go through their books, and found that the importations for the year ending April 1, 1918, were only 130 tons of raisins. This is a very small quantity, and I think has principally been consumed in Yokohama and Tokyo. In Yokohama there are about 3,500 European and American residents, who buy clusters and seeded raisins. The European population being so small, the possibility of increasing our sales among them is hardly worth considering; therefore I gave my attention to the possibility of consumption among the Japanese people.

General conditions in Japan, as is well known, have been very prosperous since the war, and there is great development and activity in all lines of manufacture and trade. Shipbuilding is very active in Yokohama, Kobe, Nagasaki and other Japanese ports; about 350,000 tons of shipping were built last year, and many more vessels are now being built. There has also been great increase in textile manufacturing, principally cotton in Osaka. In fact, a great many new industries of all kinds have been started in the principal manufacturing cities. The leading towns in Japan are as follows:

| | | |
|----------|------------|-----------|
| Tokyo | population | 2,250,000 |
| Osaka | population | 1,500,000 |
| Kioto | population | 560,000 |
| Kobe | population | 560,000 |
| Yokohama | population | 460,000 |
| Nagoya | population | 420,000 |

The working classes in Japan are getting very much higher wages than they were ten years ago, and I noticed a very great difference in the habits of the people in the principal towns from what they were when I was there in 1902. All of the principal cities now have electric street cars, which are crowded night and day; the fares run from 3 sen to 6 sen, and the fact that the workers can pay those fares shows a greatly increased spending power over what they used to have. Operatives in work shops get from 1 yen to 2½ yen per day, and spend accordingly.

All Japanese towns contain a tremendous number of small stores of all kinds, a very large percentage being small stores where candy, sweetmeats, cakes, etc., are sold, and the prevalence of these stores shows that the people spend a great deal of money in them. These stores display and sell many small packages of sweetmeats of various kinds, which retail at from 2 to 5 sen each, and in quite a few of the stores in all the towns I visited I found small packages of Thompson Seedless raisins, put up by the Japanese merchants. Packages retailing at 3 sen contained an average of 34 Thompson Seedless berries; those selling at 5 sen contained about 50 berries, and in Nagoya I paid 12 sen for a package that had 80 berries in it. In all the principal cities I saw some regular 1-pound packages of Thompson Seedless raisins which were retailing at 50 sen; and in many stores were to be found Cluster raisins which were selling at 40 sen per pound. In a few small bakeries I found small cakes with about half a dozen Thompson Seedless raisins on the top; and in one bakery in Yokohama I found a loaf of raisin bread. The fact that Japanese merchants and handlers, of their own initiative, have put up Thompson Seedless raisins in small packages for retail, is an encouragement and inducement to us to push the sale of our goods, and I think we would be repaid for any money or effort we spend in doing so by an increased consumption.

The raisin business in Japan, up to the present time, has been done through one or two American brokerage firms in Yokohama, and also by representatives of

a few San Francisco jobbers, who have representatives or travelers who sell all lines of California products; but there has been no intensive work done on any special line—what business has developed has simply grown of itself.

I believe it might be advisable for us to have an actual representative in Japan, to whom we could ship Thompson Seedless raisins in 50-pound boxes, and have him, as one means of advertising and prompting the taste for raisins, repack them into small retail packages, which I am sure could be sold to thousands of small stores, to retail at 2 to 3 sen per package, and these small packages would be bought by children and grown-ups as well, and I think would lead to all of these stores buying our regular commercial packages.

I did some figuring when I was in Japan on these small packages, as follows:

| | |
|--|-----------------|
| 50-pound case of Thompson Seedless, San Francisco cost----- | \$5 00 |
| Freight to Yokohama----- | 1 12 |
| Duty ----- | 1 38 |
| <hr/> | |
| Cost in Japan----- | \$7 50—15 yen |
| | |
| 1 pound of Thompsons contains 1,250 raisins, which would make 36 packages of 33 raisins each, so a 50-pound box would make ----- | 1,800 packages, |
| retailed at ----- | 2 sen each |
| | |
| would be ----- | \$36 00 |

I think small cheap cartons could be made in Japan, and after adding cost of labor and fiber containers, that the packages could be put up in—

| | |
|---|-----------------------|
| Cases of 100 packages at a cost of----- | 1 yen 30 sen per case |
| Which would be for 18 cases----- | 13 yen 40 sen |
| To which add cost of raisins----- | 15 yen |

Would make ----- 28 yen 40 sen

For a 50-pound box of Thompsons packed into 18
cases of 100 small packages each, retailed at----- 36 yen

Would leave a margin of----- 7 yen 60 sen

To be divided between the wholesaler and retailer, which would allow a profit that would satisfy each of them.

Labor is very cheap in Japan, so the cost of packing these goods would be but slight, and the Japanese have made wonderful strides in lithography and paper box making, etc., and the small cartons I believe could be bought there at a low price that would allow us to pack at the above-mentioned cost. I might mention here that there is a lithographic establishment in Tokyo that turns out lithographic work which I have never seen surpassed.

I believe that the prosperity of Japan will continue. In the settlement of the Siberian question, Japan may have an equal voice with America and Great Britain. Japan now has many valuable concessions in China in iron ore, timber, etc. They are going to operate and run their ships at a profit, and I believe the market is one worth cultivating.

I concluded that for the present we would try and sell our raisins through a Japanese firm. I arranged with one of the leading bakers in Tokyo, Mr. Shimizu, and his cousin, who is a Japanese merchant and broker, and Mr. Nakamoto, to form the "Nippon Raisin Kaisha" for the purpose of handling our raisins. The arrangement is one that can be terminated at any time on thirty days' notice, and I think is good enough for the present and may, perhaps, serve to get a start for us, and between now and next season we can consider the advisability of making greater efforts to develop the market.

CHINA.

I arrived in Shanghai May 28. Shanghai is the center for business of all northern China, and nine-tenths of the business for Siberia also passes through there. A tremendous volume of business is done there and hundreds of large English

and American firms have their headquarters in Shanghai. All the exportations from the immensely rich producing district of central China pass through the port; in fact, it is one of the great ports of Asia. It has an European-American population of about 5,000. The Chinese population in the European section is about 350,000, and in the Chinese city about that many more. The consumption of raisins has not been large. Not more than 500 tons per year in recent years have been imported through there, and many of those were reshipped to Russia. The greater portion of the raisins that have been bought up to the present time were clusters in 5-pound boxes, and the remainder about equal quantities of Seeded Muscats and carton Thompsons. Practically no raisins are found in the small Chinese stores, but in the large modern Americanized stores, which carry large stocks of all kinds of American canned goods, clusters, Seeded and Thompson raisins are sold. Undoubtedly the consumption of raisins could be increased very much right in Shanghai, where there are so many progressive young Chinese who have been educated along American lines. A great number of them have been educated in Japan also, where they have absorbed American ideas.

One great modernizing effect in Shanghai is the Young Men's Christian Association. When I was in Shanghai, they had just completed a campaign, exclusively among the Chinese, which resulted in a subscription of \$300,000 Mexican money for the building and equipping of a Y. M. C. A. building, and one development along American lines which greatly surprised me was the business being done by the International Correspondence School. They have Chinese students all over northern China, who have been educated by American textbooks. Outside of Shanghai, the main towns where business is done by Europeans, to the north, are Tientsin, Peking, and to the west, Nankin and Hankau. I visited Hankau in the company of the Chinese sales manager of Connell Bros. Company. It is situated on the Yangtse river, 600 miles from Shanghai, and is reached by large ocean-going steamers. This river is the main highway of commerce for central China, and is from one to three miles wide up to Hankau. There are two Japanese and two English lines of fine passenger steamers sailing every day, and the river is covered with a fleet of Chinese junks and boats of all kinds passing up and down. Hankau is close to the center of the Chinese iron fields. At Hanyang, across the river from Hankau, is a very modern iron smelting plant, probably as complete as anything of its size in this country. This plant was originally built in the name of Chinese, but at present is entirely owned by a Japanese corporation. The Japanese also practically have the monopoly of the iron ore output, and ore steamers fully laden are continually going down the river.

I found raisins in modern stores in Nankin and Hankau. The raisins heretofore bought by Chinese have largely been for presents, ceremonial dinners, etc. Practically all the raisins have been consumed by the Chinese in the ports above mentioned, and none in the exclusive Chinese towns and villages.

There are three American lines in which an enormous business has been done. The first is sewing machines, but this line has been worked for a great many years. In Hongkong I met the manager of the Singer Sewing Machine Company, who told me they had in China 4,500 Chinese employees, principally salesmen. The sewing machine can be found everywhere. Of course that is practically a necessity and not a luxury. Another line on which an astonishing business has been built up is American cigarettes, which are now found almost everywhere, and I suppose the British-American Tobacco Company, who handle this line, are doing a business of many millions of dollars. Of course the tobacco corporation is immensely wealthy, and has expended money and effort without stint to introduce its goods. It has no doubt taken several years to develop the large business they now do. I met one of their salesmen, who had just returned from a trip reaching almost to Thibet. On a portion of this trip, which lasted over 18 months, he had armed guards which he rented from mandarins, pack camels, etc., showing the extent to which rich corporations will go to develop trade.

Another item which is seen practically everywhere now is Wrigley's chewing gum. This article can be found in innumerable stores, although I must say that I did not see any sign of its being consumed by the Chinese people. I guess it must be, but I could not find a storekeeper who would say that he sold much of it to Chinamen.

There are some raisins grown in northern China, Thompson Seedless, cured with a lye-dip. The raisins are unsightly and are packed in any kind of a box, and are not thought much of. I bought some in the public markets in Shanghai at about 15 cents gold per pound.

All Chinese stores of any size have their shelves filled with American canned goods, principally California goods, and American goods of all kinds are in great favor with all classes of trade.

I appointed as our representatives in Shanghai and Hongkong, Connell Bros. Company, who have been established there for twenty years, and stand very high with both the European and Chinese trade. They have an efficient staff of Chinese salesmen continually covering the country, and I believe will develop and increase a demand for raisins among their customers. To actually get the masses of the Chinese people in the principal treaty ports to use raisins will need some educational campaign. How to reach them will require considerable thought. The Chinese with whom I spoke thought small packages that could be retailed for 2 or 3 cents would be a very good means of increasing the knowledge of our raisins among the masses, and I think it is very likely that we could pack such a package at small expense. The Chinese, like all Orientals, are very deft with their fingers, and I believe we could have sheets of paper printed with our brand and other advertising matter, that could be folded up in the peculiar ways these Orientals can fold paper, in packages that will hold together, and then put in the necessary number of Thompson Seedless berries that would sell for 2 or 3 cents, and still net us, or whoever we get to do this work for us in China, the necessary price and profit. I have gotten together some advertising and other ideas that we can talk over whenever you wish to go more fully into this matter.

HONG KONG, CANTON, ETC.

I arrived in Hong Kong July 2 and left July 5. I could not stay longer on account of difficulty in making steamer connections. Connell Bros. Company have a branch office in Hong Kong, which had been notified by their Shanghai office that we had appointed them our agents, and also supplied them with a case of samples. Hong Kong is more Chinese than Shanghai, and but a very small raisin business has been done there. It can be increased, of course, by our work, if we decide to go after the actual Chinese consumer. There is a good field in the city of Canton, five hours distant by river steamer from Hong Kong, with a population variously estimated from one to two and a half million, showing how vague the estimates are in China. I believe we will get good results from any work we do in China; certainly it is a tremendous field, and I feel sure results will justify any special effort we make to develop business there.

PHILIPPINE ISLANDS—July 9 to 22.

I spent all of the time in Manila; in fact, there was no need to go anywhere else, but had there been I could hardly have traveled much, for the greater portion of the time I was there it was one continuous deluge, the heaviest rains in July in a generation.

The importation of raisins in Manila during the past two years I do not think has averaged over 300 or 400 tons, the greater portion being 3-crown Clusters, Seeded Muscats and Thompsons. The distributing trade is largely in the hands of Chinese merchants. This market can be developed and increased.

MANILA.

The ideas of the salesmen there were along the same lines as in China and Japan, viz. that the small packages could be very inexpensively gotten up—cheap paper and cheap folding—that would enable us to distribute raisins in the numerous small stores existing in the islands, and in this manner reach the children, and through them their families. The Thompson Seedless raisin is very well liked in the Philippines, and I think we can greatly increase the consumption in that variety there. I did some figuring with Connell Bros. Company's advertising manager, and believe that at an expense of very little over \$1,000 gold we could have the services of two men ninety days, visiting all the tiendas and regular grocery stores through the main portion of the Island of Luzon, this to include a reasonable allowance of raisins for sampling purposes. I believe by employing two men, and using methods which I talked over with Connell Bros., that we would create an interest in raisins which would bring about quite good results.

AUSTRALIA—August 8 to 20.

I visited Brisbane, Sydney and Melbourne. There was no necessity of my visiting Adelaide, as business there is handled by Sydney and Melbourne brokers; in fact, all the brokers in Australia have branches or the necessary connections to handle business in all the principal cities.

There is not much prospect of selling many of our raisins in Australia. In the Province of Victoria there are now produced about—

- 9,000 tons of Sultanas (our Thompson Seedless).
- 2,000 tons of Grecian Currants.
- 4,000 tons of Muscats.

There are some raisins grown in New South Wales, but I do not think over 1,000 to 2,000 tons. All of these raisins are handled through the association.

Victoria also produces a splendid quality of dried fruits—apricots, peaches and pears. Australia does not consume all of the raisins grown in Victoria. During the last year or two they have exported raisins to Great Britain, quite a few to India and New Zealand, and considerable of the currants went to Canada.

Their entire raisin and dried fruit business is handled through one central organization, of which practically all of the individual growers and local growers' co-operative packing houses are members. The central organization is the "Australian Dried Fruit Association," with its main office in Melbourne. Practically all of the merchant brokers who sell grocery products sell for them on a brokerage basis, and sign an ironclad agreement that they will not sell any foreign or other fruits without the permission of the Dried Fruit Association, and all the merchants are under the same kind of an agreement. The association makes certain rebates at the end of the season to the merchants, according to the quantities they have bought, and on proof that they have not bought any foreign fruits. The entire contract is one that could not possibly be considered in the United States.

The Australian raisins are all lye-dipped. The Sultanas—or Thompson Seedless—are of a very good quality, and are equal to or better than the average grade of the Smyrna Sultanas shipped to Europe. They grade their Sultanas into 2-crown, 3-crown and 4-crown grades, the grades being principally on color, although there is some little attention paid to the size. The prices made by the association are, I believe, uniform all over Australia, and all prices made to the jobbers are for the goods delivered at the jobbers' warehouse; in other words, freight and cartage paid. This year's prices for Sultanas packed in cases of 56 pounds are:

| | | |
|---------|-------|----------|
| 2-crown | ----- | 8 pence |
| 3-crown | ----- | 8½ pence |
| 4-crown | ----- | 8½ pence |

or from 16 cents to 17 cents per pound.

Muscats.

They do not use this term in Australia. The variety of raisins most grown there are the Muscats of Alexandria and the Gordo Blanco, the latter being much more numerous than the former. The grapes grown are of very good size and quality. They cure a negligible quantity in the sun, so little that the Dried Fruit Association takes no notice of them, do not quote them, and allow any grower or packer to sell them whenever and wherever they please. The bulk of the crop is cured like the Spanish Valencia, and is a very fine and attractive raisin. This method of curing of course does not lend itself to the seeded product, and while a small amount is seeded both by the packer members of the main association, and also by one or two merchants (the only one I saw was in Brisbane); therefore the seeded package is but a very small item. The association makes a special price for raisins for seeding purposes. They are marketed under the trade name of "Lexia Raisins." For seeding purposes they sell a mixture of 2-crown and 3-crown Lexias at 6 pence per pound. Most of the raisins are sold as 4-crowns at 6½ pence. This grade is about of the size of our 3-crown Muscats, and a raisin about the size of our 4-crown, which they call 5-crown Lexia, they sell at 7 pence.

Owing to lack of time, I was unable to visit the Victoria district, much as I would have liked to, but it was impossible. There is a very large irrigation area under government control in Victoria and New South Wales. At present there are

probably 100,000 acres under water, the scheme being eventually to irrigate over 200,000 acres; and in this district there are at present 5,000 or 6,000 acres in raisins. Water costs about \$1.25 per acre-foot each year. From the fruit I saw, and from what I heard, I feel sure that there is a large acreage very suitable for raisins and fruits there. The average production, as far as I could learn, on raisins was not over one ton to the acre of Muscats, and not 1½ tons of Sultanas. The price of established vineyards under irrigation varies from \$300 to \$500 per acre. There is a duty on raisins into all provinces of 3 pence or 6 cents per pound. The only raisins we are allowed to sell there by the tacit consent of the association are our Cluster raisins, although through our broker in Melbourne we received small sample orders for our Seeded and Loose Muscatels and Thompson Seedless.

I appointed Fred Walker & Co., our brokers in Melbourne, and Clarton Hodgson & Co., Ltd., our brokers in Sydney, both very energetic and reliable firms, who can get all the orders that their merchants will place on California goods.

NEW ZEALAND—August 19 to September 2.

The two principal cities in New Zealand are Wellington with a population of 85,000, and Auckland with a population of 125,000, the total population of the islands being a little over 1,000,000.

The islands are of volcanic origin, and a very large proportion, especially in the North Island, can not be cultivated; but the arable land is very productive. The grazing land is covered with herbiferous grasses which are very nutritious, and, as is very well known, the sheep industry is very profitable. The sheep are wonderful. I saw places where they grazed 15 sheep to the acre. Of course this is exceptional, but is a contrast to Australia, where, in some places, it takes 15 acres to maintain one sheep. The people are very prosperous, as there are no contrasts, such as exist in large countries, of great wealth and extreme poverty. They consume plenty of raisins. I think more per capita than any other country. I could not get the figures for importations into New Zealand for 1917, as they are not compiled; but in 1916 they imported 6,253,283 pounds, or say practically 6 pounds per capita; of these 4,500,000 pounds were California raisins, and 1,604,000 pounds were from Australia, and 30,000 pounds from England. This latter importation was no doubt some Fancy Spanish Clusters re-exported. There is no import duty on raisins in New Zealand, and our raisins even now, with the present very high freights and other expenses of shipping, can be laid down at slightly less cost than Australian raisins. In normal times, when freights, etc., are lower, the difference in price in our favor will be greater. This gives us an advantage, in addition to which I believe I am right in saying that the New Zealanders very greatly appreciate the quality not only of our raisins but of all California dried fruits.

I believe that with the proper effort we can very nearly drive out the Australian raisins from the New Zealand market, and also with the proper work can induce a greater per capita consumption than now exists. There is no raisin bread used in New Zealand—at least I could not find any—but the bakeshops are full of rich cakes, spice loaves, etc. I think it quite possible that the regular plain raisin bread could easily be made popular there, if we found it necessary or profitable to put intensive work into introducing it.

It is only a few years since our Thompson Seedless raisins have been sold in New Zealand, and I found every indication of a growing and increasing popularity among the bakers. I would think that a market for several thousand tons of Thompsons alone could be built up in the course of two or three years. There is a very good demand for raisins all the year around there; the inhabitants are almost entirely of British-Scotch origin, and they keep up old country customs, so there is a great demand for raisins for Christmas consumption. As their seasons are opposite to ours, and their winter is in June, there is a demand occasioned by the weather conditions for raisins and other foods through the period of our summer. In late August, when I was in Auckland, one shipment of 18,000 50-pound boxes of Thompson Seedless came to hand, and were eagerly taken by the various buyers; so that in considering the question of a market there you will see how favorable conditions are in a country where there is quite a popular continued demand all the year around.

I appointed a broker in Wellington and one in Auckland, but think it will possibly be to our advantage to decide on one representative to cover the entire territory of New Zealand. The country is not of very great extent, and I think we would be better served to have one representative. There is good telephonic, telegraphic

master and several assistants who have the power to supervise sanitation, renting of the stalls and the settlement of disputes between buyers and sellers, as well as the regulation of the market generally.

"The receipts from rental for 1915 were \$6,515; for 1916, \$5,132, and for 1917 \$4,680. The annual cost for operating the market for the city is \$4,820.

"The public markets of the city are restricted to producers of fresh fruit, vegetables, berries and other farm or garden products, butter, eggs, cheese, poultry, meats, lard, and preserved fruits and vegetables.

"For the first four months of 1915 the aggregate number of vendors registered was 13,808. The aggregate number for the corresponding period of 1918 was 9,626. This would show a decline in the number of vendors attending for that period of about 30 per cent.

SPOKANE MARKETS.

"The present public market in Spokane is a wholesale curb market on the streets near the City Market. Farmers come on the market as early as 5 o'clock in the morning while others do not arrive until about 7 o'clock, and practically all are gone by 9 o'clock. Some remain longer to retail to customers but the largest part of the transactions are wholesale to dealers and such consumers as wish to buy in crates and boxes. In former years there was considerable retail selling but it is claimed that "this market degenerated into a huckster stand" and in this manner ceased to be a producers' retail market.

"A new market was established during the summer of 1917 through the efforts of the Federated Women's Clubs and the War Garden Committee. The aim was to make it entirely a producers' market. The attendance was light. The total number of paying vendors was 28 for July, 44 for August, and 13 for September. The reasons given for the failure of this market are varied. The season was poor. The supply of vegetables was meager. Buyers found such a small assortment that they became discouraged. The location was poor for both producers and consumers.

"Public markets in Spokane are not as successful as those of other Washington cities in spite of the interest taken by the public as indicated by the hearings and conferences.

VANCOUVER PUBLIC MARKET.

"The Vancouver market is not a public market in the sense that it was fostered by the city or is regulated by public authority. It was started three summers ago by four business men who provided the tables and space under a covered sidewalk. The market has been quite successful. Two of the men who helped start the market assert that it is a success.

"Some difficulty has been experienced in regard to prices. Farmers charge the full retail price, which practice discourages consumers.

TACOMA MARKETS.

"Tacoma had a public market until the fall of 1917, but it was not a producers' market. The farmers were offered free space in the Tacoma Public Market and allowed to back their wagons in front of the building for the purpose of selling their produce, providing they would disperse by a certain hour in the morning, say eleven o'clock. The farmers, however, did not respond to these overtures.

"The concensus of opinion of those interviewed was that the farmers preferred to spend their time as producers rather than as retailers and that they are best paid for their time by this arrangement. Many farmers now come in with their produce early in the morning and are met by the retail produce dealers at a place near the city limits where they dispose of their products in bulk and go home after their stuff is sold.

KIRKLAND MARKET.

"As a rule public markets are not a success in small towns. The experience of Kirkland, a place of five hundred to seven hundred people, is interesting in this respect. On August 10, 1917, a one-day-per-week (Friday) public market was established through the activities of the city's commercial organization. A good crowd was in attendance and not only were the usual farm products on sale, but cattle, horses, hogs, poultry, and farm vehicles were on display.

"The second-day was as well attended as the first. By October 12, however, the market had dwindled. On this day only five vendors were present. These sellers reported sales ranging from \$2.25 to \$10 a day, the average being about \$5.

EVERETT.

"In 1915 Everett attempted to establish a public market. However, no special ordinance existed in regard to public markets and the health officer undertook to have the farmers comply with the regular ordinances in force regulating markets in general, and the market failed in the budding.

OLYMPIA.

"A public market existed here for about two years, prior to January 1, 1916. Since that time no public market was maintained and it is claimed that no great amount of difference in prices was noticeable during the time the market was running.

BELLINGHAM MARKET.

"A portion of the street was set aside near this market in 1916-17 for a farmers' curb market, but the farmers never availed themselves of its use.

PORT ANGELES.

"A public market was operated for several months during the summer of 1917. The attendance was neither large nor regular. On some days there were more sellers than buyers, and under such conditions the market was discontinued.

"Obviously if the farmer has a farm which takes his entire time, he can not afford to sell on the public market. However, those on small diversified farms can often spare some member of the family who can market the produce. For this reason many of the vendors on the Seattle market are women, and very often they make better salesmen than the men.

"There are many farmers who are making a success of direct selling. These are people who have become good salesmen, adjusting their crops to public market demands, days, and seasons, and who have built up a trade with regular customers. However, the success of these individuals can not be used as an argument justifying the public market as a general system of distribution.

"Farmers selling on the Seattle market get the full retail price. Comparison with prices on up-town markets and the testimony of consumers substantiated this. Therefore, the farmer gets all the spread between the full retail price in Seattle and the price he could get at the country store or on a commission sale.

"There are certain advantages that come to the vendor selling on the market. He comes in touch with the consuming public and learns to deal with the public in a businesslike way. He becomes acquainted with the consumers' demands as to the kind of produce wanted, and the quality, grade and pack desired.

"The Seattle market is patronized by thousands of people, and not only by Seattle residents, but by people from neighboring towns. The customers come from all walks of life and are of all nationalities. They are attracted to the market by the freshness of the products, and the ability to choose from a large variety of produce. The public market performs a valuable function in educating the housewife in the use of home-grown vegetables and fruits. Every article can be personally inspected before purchase, and it is weighed in the presence of the buyer so that the consumer is certain of both the weight and quality of the goods purchased.

"The consumer has to consider the cost of personal marketing, transportation, time, inconvenience of a personal visit to the market, carrying home her purchases, and paying for them in cash.

"A usual claim made for public markets is that they reduce the cost of living. On all the Washington public markets, however, practically the full retail price is charged except for bulk purchases, or on Saturday nights when there are "cut" prices on perishables. The advantage of having a public market may not come in lowering regular, legitimate prices so much as in preventing unreasonable charges. The presence of an efficient public market encourages farmers to raise more perishable products near the cities.

"Aside from these general benefits, the public market is not the most efficient system of marketing for the community. It is true that it is held up as a perfect example of the elimination of the

middleman and that because the producer meets the consumer directly, the farmer gets one hundred cents out of the consumer's dollar instead of the traditional thirty-five cents. It is reasoned that because we have "cut out the middleman," we, therefore, have cut the cost of marketing. Yet the consumer must pay the wages and expenses of the one hundred to four hundred vendors on the Seattle market spending ten hours or more a day selling \$15 to \$20 worth of produce a day. All of the produce of the vendors on the "Inside Market," properly graded and arranged, could be disposed of by about half a dozen trained salesmen. This would enable all the other sellers to go back to their farms, where in many cases their time is worth more as producers than as vendors on the market. These salesmen would be "middlemen" but it can easily be seen that the introduction of these middlemen between the producer and the consumer would mean a reduction in the cost of marketing, and a saving to both producer and consumer.

LIMITATIONS AND ESSENTIALS OF PUBLIC MARKETS.

"There are geographic and economic limitations to the public market as a system of distribution.

"The amount and variety of produce grown in the vicinity of any city of considerable size is insufficient for such city's needs. Only an exceedingly small per cent of the produce consumed in a city the size of Seattle can be supplied by the one hundred to four hundred vendors on the public market.

"From the farmers' standpoint, only those growing perishables or semiperishable products which are suitable for direct consumption, find the public market profitable. The grower of cereals, livestock, and other staples must look to other channels through which to market his products.

"The city housewife is also limited by the distance she lives from the market, and the means of transportation at her command.

"The public market is subject to certain economic limitations.

"Only a certain number of farmers within the the driving zone, and raising the proper kinds of produce, can sell profitably on a public market because (1) direct selling demands a large part of the farmer's time which might be of more value to him as a producer; (2) overhead costs of marketing and personal expense, are nevertheless high for the amount of produce sold. Therefore, a large number of small producers find the cost of selling so great they can not afford to come on the market; (3) farmers with a large tonnage usually find the regular channels of marketing more profitable than direct selling.

(The figures presented by Mr. Wehrwein's report would show that the average daily sales per vendor at the Seattle Public Market are about \$15. The average daily expenses are \$1.70, use of conveyance, say \$1.00, wages for the farmer, say \$3.00, total \$5.70, making the average selling cost about 38 per cent of the consumer's dollar.)

"The housewife is also limited by certain economic factors. She will become a patron on the public market only to the extent that she can afford to give her time to personal marketing and forego the services of delivery, credit and the telephone, in exchange for

fresher produce. There is a limit to the possible reduction in the cost of living. The high cost of marketing on the public market necessitates the charging of practically retail prices.

"In conclusion, the public market is a survival or revival of a marketing system of a time when the marketing of farm products was largely a local function. We are now living in a nation-wide market, with its system of specialized middlemen, not faultless by any means, nor even desirable under all circumstances. There is a place for the public market in supplementing, but not supplanting, our modern system.

"If existing retail stores, hucksters, and peddlers are serving the public well, little can be gained by a public market.

REDUCTION OF THE COST OF LIVING.

"When the new market is established, the housewife expects to find the price of produce reduced from 10 to 20 per cent. The farmer, on the other hand, acting as a retail salesman, expects to get the full retail price. This conflict of interests threatens to break up the market at its very inception. In Vancouver, Washington, grave doubt was expressed as to the future of the market if farmers persisted in demanding retail prices. At Port Angeles the same difficulty was reported. Our trouble seems to be in making farmers take into consideration the fact that they sell for cash and should make it an inducement for the people to come and carry home their stuff instead of trying to ask the same price as the stores that make deliveries and sell for credit.

ESTABLISHING A NEW MARKET.

"The experience of Washington cities leads the Office of Farm Markets to suggest a careful survey before establishing a public market in any city contemplating any outlay for market purposes.

"By open discussion and by questionnaires the sentiment of the people can be gauged and if enough pledge themselves to buy and sell on the market, the chances of making it a success will be favorable."

Dayton, Ohio, Farmers' Markets.

A report comes that farmers' markets have been very successful in the city of Dayton, Ohio, where they have been held beginning in 1878 until the present day, trading being done three times a week, the year through. Out of 691 stalls in the municipal market, 300 are free to farmers. This custom prevails regardless of weather, and neither the farmer nor the housewife stays at home on account of rain or snow.

It is pointed out that no city should build a market house without first trying out the idea by the use of street stalls which will give all ample opportunity to show with what spirit they enter the project.

It is further pointed out that the life of a municipal market lies in the regular standard of prices that shall make no distinction between *classes of housewives* who come to buy.

Marjorie Conklin Kumler, from whose report on the Dayton Market the above is taken, makes the further statement that in Binghamton, New York, in June, 1917, the city officials conceived the idea of having a public market and put the plan before the city for consideration. It was received with acclamation and the eager people wanted to build a market house without delay.

The officials brought an expert from New York to tackle the problem for them. He advised that farmers use the street stands for a few months in order to give a trial, before any money was spent. The officials did not care much about this advice, but they were paying a good price for it, so they took it—reluctantly. The stands were given to farmers free and they brought in their wares promptly and found an eager populace, with baskets on arm, waiting for them. This was exactly what the officials had expected and they were loud in their praises, and the future market house became a certainty—on paper. Then one morning the housewives of Binghamton found that they were going over to market and carrying home merchandise that they were paying more for than the grocers on the corners would have charged to select and deliver the same things for them. The women as a community were very quick to act, and they will be very slow to forget. In December, 1917, the Municipal Market died from sheer inactivity, and the farmers went back to their commission men and wholesalers. They lost the opportunity of having a fine market house, and they lost the people's confidence, and it is apt to be many a year before they will have the chance to show that they have learned their lesson.

In various California communities there have been public markets established in the nature of so-called "curb markets," including such cities as Sacramento, Fresno, San Diego and Santa Cruz.

The market that seems to have been most successful is the one in Santa Cruz which has been continuously maintained for a period of years with seeming satisfaction to a goodly number of farm producers and consumers. The markets in the other named cities are not recorded as having been successful and have cut a very trifling figure either in affording an outlet for the producers or being of much service to consumers. In this connection comes a report from Acting County Farm Adviser of Sacramento County who in speaking of the Public Market in Sacramento, among other things, says the following:

"In regard to the open-air free market at Ninth between M and N streets, it is still in existence but is in very bad repute. The market is not clean or inviting in any way and I believe that a large number of the products sold there are being handled by Orientals and other foreigners."

SANTA CRUZ FREE MARKET.

The regulations for the Santa Cruz Free Market prohibit any but producers from selling goods on the market. However, to my personal knowledge, there

is, now and then, a vendor who buys his vegetables from the producer and then sells them. This is strictly looked down upon.

The prices for the Free Market vendors are always slightly lower than the prices on the same articles in the local stores. Most of the products are better in quality than those of the retail dealers, but there is much need of standardization, especially with the butter and meats. There is considerable lack of uniformity in quality in these latter products on the Free Market. The vegetables sold by the vendors average better quality and freshness than those of the retail dealers.

I am quite sure that the consumers, generally, regard the activity as one that has lessened the high cost of living. The market has been well patronized and prices cheaper. The Free Market has also caused the retail dealers to lower their prices on articles handled in the Free Market. Take pork, for example. Before the Free Market was started in Santa Cruz butchers charged San Francisco retail prices for pork in Santa Cruz; now pork is from 5 to 10 cents cheaper per pound than it is in San Francisco.

(Signed) HENRY WASHBURN,
Farm Adviser.

FRESNO PUBLIC MARKET.

A public market is maintained in Fresno City near the Court House square. I doubt if more than half of the vendors are actual farmers. I note on the market a number of Armenian dealers and others whom I do not have reason to believe are farmers. Apparently their sole business is to sell fruit and vegetables. I think I have noticed at least one or two of these who peddle on days when the market is not open on the public square. The market is certainly not a strictly farmers' market, by any means.

The products offered are the same in quality as those offered by retail dealers in Fresno. Sometimes the prices are slightly lower than the prices of regular retail dealers, but in general public market prices are practically the same as those of the retail dealers whose prices are the lowest.

I find no evidence that consumers generally regard the public market as an activity that has lessened the high cost of living.

(Signed) LEROY B. SMITH,
County Farm Adviser.

SAN DIEGO MARKET.

The vendors at the San Diego Public Market are actually farmers, if you can term persons who have small tracts of vegetable land as farmers.

The prices they ask are in most cases no lower than those asked by dealers for the same commodity, and they produce no better quality, except somewhat fresher in some cases.

They are patronized by few people with the exception of housewives who are within walking distance, therefore cannot be considered an important activity in reducing the cost of living to the general public.

(Signed) H. A. WEINLAND,
County Agent.

Los Angeles Municipal Market.

Under date of November 1, 1918, there appeared in the press the following article, entitled,

"LOS ANGELES MUNICIPAL MARKET IS A FAILURE.

"Los Angeles is about to relegate its municipal system of markets to the scrap heap. The experiment has been a costly one for that city, as is usual in cases of this kind, and the agitators, job hunters, demagogues and politicians will seek other fields to conquer. A special committee of the Los Angeles City Council last week reported on the continual loss of money by that city's municipal market system and recommended its elimination. Five retail

markets were opened in as many sections of the city and a review of the nine months from June, 1917, to February, 1918, showed they are entailing a financial loss to the city of \$3,600 a year, with no compensating advantages. Therefore, two of them have been abandoned, but three are still draining the city's treasury and yielding no return. This committee found the total rentals received during the past six months were \$1,751, the expenses \$2,835.24, showing a deficit of \$1,084.24. One of the councilmen in an interview said: 'They can only be justified as a direct profit to the city or some distinct benefit to the consumer. We have ample demonstration that neither is accomplished. The proponents of these markets contended they would afford an avenue by which producers could distribute to consumers direct by renting stalls and selling to the housewives in the districts, and would undersell regular grocers, who must obtain their supplies indirectly after several handlings, but no such end has been attained. Ordinarily storekeepers continually undersell those who occupy stalls. Regular grocers generally sell goods of better quality and in better condition, and the grocers' service is preferable to that of the stallholders. Most of the produce sold in the markets is purchased from the same wholesale market from which regular grocers obtain their supplies and is sold by the stallholders, who are noncitizens, and who actually grow and produce nothing. The municipal market system of Los Angeles is a farce and our city council should abandon it at once.'

In order to verify the foregoing statement, a deputy of this department was instructed to make an investigation thereof and to report, which he did with the following result:

"Mr. Britt, the Los Angeles Municipal Market Director, claims that the Los Angeles municipal markets could be made successful, provided they were enlarged, improved and equipped with competent help so that the larger producer would be interested in sending to these markets and finding a ready sale for their goods. As it is now, the smaller producer and the peddlers are the only ones who care to spend the time required to sell their goods and put up with the inconveniences prevailing in these city markets.

"While the report of the committee for the city council was tabled, Mr. Britt seems sure that the markets will pass out of existence at the end of the fiscal year on July 1, 1919.

"An interview with Mr. N. P. Olsen of the city council disclosed that he claims he is not averse to municipal ownership and conduct of markets. He claims that if it were possible to bring the producer and consumer together by the maintenance of these markets here, he would be for it, but the operation of the markets had not brought about that end. In fact, over 70 per cent of the stalls are rented by peddlers and others who are not producers, but who buy from the wholesale markets.

"The investigation here did not disclose that the Municipal Market had the effect of holding down the prices in privately-conducted markets. In fact, privately-conducted markets competing with each other have been selling and are selling comparatively *as low as any of the prices quoted in the Municipal Market.*"

FINANCIAL STATEMENT OF THE STATE MARKET COMMISSION OF CALIFORNIA.

Expenditures from July 1, 1917, to June 30, 1918, Sixty-ninth Fiscal Year.

| | | | |
|-------------------------------------|------------|----------|-------------|
| Stenographers | \$2,121 13 | | |
| Extra clerical help..... | 188 75 | | |
| Messenger | 703 86 | | |
| Miscellaneous: | | | |
| Statistician | \$320 00 | | |
| Inspector | 19 95 | 339 95 | \$3,353 |
| Traveling expenses: | | | |
| Director | \$1,745 69 | | |
| Secretary | 33 70 | | |
| Employees | 96 22 | 1,875 | |
| Office supplies | \$181 88 | | |
| Printing | 549 05 | | |
| Multigraphing | 100 50 | | |
| Office rent | 1,020 00 | | |
| Freight and express | 75 32 | | |
| Postage | 412 50 | | |
| Telephone and telegraph..... | 762 51 | | |
| Clippings | 35 30 | | |
| Subscriptions, books, etc..... | 86 75 | | |
| Water and towel service..... | 45 00 | | |
| Miscellaneous | 64 05 | | |
| Office furniture and equipment..... | 467 90 | | |
| Sacramento office services..... | 50 00 | 3,850 71 | |
| Statutory salaries: | | | |
| Market Director | \$4,999 80 | | |
| Secretary | 3,600 00 | 8,599 81 | |
| Total expenditures | | | \$17,679 81 |

SECOND ANNUAL REPORT

OF THE

State Fish Exchange
of California

A DEPARTMENT OF
The State Market Commission



CALIFORNIA STATE PRINTING OFFICE
SACRAMENTO
1918

**FINANCIAL STATEMENT OF THE STATE MARKET COMMISSION
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| Postage | 412 50 | |
| Telephone and telegraph..... | 762 51 | |
| Clippings | 35 30 | |
| Subscriptions, books, etc..... | 86 75 | |
| Water and towel service..... | 45 00 | |
| Miscellaneous | 64 05 | |
| Office furniture and equipment..... | 467 90 | |
| Sacramento office—services..... | 50 00 | |
| Statutory salaries: | | |
| Market Director | \$4,999 80 | |
| Secretary | 3,600 00 | |
| Total expenditures | | |

SECOND ANNUAL REPORT

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The State Market Commission



**CALIFORNIA STATE PRINTING OFFICE
SACRAMENTO
1918**

The State Fish Exchange of California.

A DEPARTMENT OF

THE STATE MARKET COMMISSION.

HARRIS WEINSTOCK.....State Market Director

F. N. BIGELOW.....Secretary State Fish Exchange

PHILIP S. EHRlich.....Attorney

Deputies.

V. Quartararo.....San Francisco

D. B. Lyons.....Southern California

John Q. Roscoe.....Los Angeles

John J. Leonard.....Santa Cruz

J. J. Davis.....Pittsburg

Squire F. DuRce.....Long Beach

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LETTER OF TRANSMITTAL.

Honorable WM. D. STEPHENS,
Governor of California.

SIR: Section 29 of the State Fish Exchange Act provides that:

“The State Market Director shall make and submit to the Governor, on or before the first day of December of each year, a report containing a full and complete account of the transactions and proceedings of the State Fish Exchange for the preceding fiscal year, together with such facts, suggestions and recommendations as may be deemed of value to the people of the state.”

I therefore have the honor to transmit to you herewith the Second Annual Report of the State Fish Exchange of California.

Respectfully,

HARRIS WEINSTOCK,
State Market Director.

San Francisco, December 1, 1918.

The Northern California Fish Exchange during its brief career, however, had demonstrated that through publicity and the fixing of popular prices, consumption of unpopular varieties of fish could be increased and great quantities of fish that otherwise would be diverted or dumped, put into human consumption. As a matter of fact it proved so successful that it served to demonstrate the necessity for state price control and regulatory powers over the fishing industry. As a result the legislature of 1917 passed the act creating the State Fish Exchange as a department of the State Market Commission, effective July 31, of that year.

An account of its activities during the first four months was rendered in the initial report of the Exchange submitted to you December 1, 1917. Not only were the operations of the Northern California Fish Exchange practically pioneer in America, but, as indicated in that report, California was the first state in the Union to legislate for the price regulation of fish. Thus, there were no precedents upon which to base the future activities, no methods ready-made, no records available, and only the experimental data obtained during the limited scope of the first effort.

By the close of the second fiscal year, and the entrance upon the third, this condition has been altered. With the experience of some sixteen months behind it, the Exchange is now equipped with definite information, comparative records and actual data that will enable it to act with some degree of surety and precision. Presenting more angles than the much discussed Balkan situation, and more intricacies than Russian politics, the fishing industry, because of the diversity of its markets, the perishable nature of its product, natural influences and lastly, and most serious, the variable feature of its supply, is ever seething with problems.

Much has been overcome during the past twelve months, evils have been corrected and abuses eradicated. Through the educational efforts of this department, the consuming public has become fairly familiar with many varieties of delicious fish that formerly went begging. Much of our fish supply is brought in from Washington, Oregon or from Mexican waters, and are already high in price before they reach this state, to which must be added cost of transportation, boxing, icing, wastage, etc. Nevertheless, these imported varieties of fish are demanded by local consumers. Thanks to the educational campaign and instructive articles disseminated by this department, this condition is gradually changing. Unfortunately, the work of the department has been handicapped by a situation hitherto unknown which has crippled the local fish industry, and inflicted serious loss upon the local dealers and fishermen alike. I refer to the lack of supply.

The outstanding feature of the past twelve months has been the *failure of the fishing boats to catch sufficient quantities of fish to meet*

the demand. The unaccountable and consistently small catches of steamer fish (which is the backbone of the local fish supply) during the past year have been unprecedented in the records of the local fishing industry with the exception of the year 1912, when a similar situation prevailed, though not as serious. This condition has made uniformly low prices impossible during such subnormal supply. It was fortunate, however, for the consuming public, in the face of the scant supply, that the state exercised ownership of the fish within its domain and had determined to regulate and control prices, otherwise a lessened supply and an increased demand, due to war activities, without price control, would have spelled far higher prices to consumers than actually prevailed. It is safe to say that had there been no price control during this period, prices of fish, like the prices of most other commodities, would, in many instances, have become practically prohibitive.

Even with the average subnormal supply there were exceptional days when an abnormal supply was caught. With a ready-made machine for publicity in the hands of the State Fish Exchange, it was possible in such instances to create through advertising an immediate demand for the entire catch at popular prices, thus preventing possible diversion of such abnormal catch to the disadvantage and loss of the fisherman and the consumer.

To cite a case in point: The records show that on Monday, July 8, 1918, the visible supply of large sole in San Francisco, was 26,900 pounds, which was about normal for that period of the week. This permitted a maximum price to the consumer of 8 cents a pound. On Tuesday, July 9, the visible supply was 24,280 pounds, which permitted the maximum price of 8 cents to continue to the consumer. The following day, Wednesday, the 10th, the visible supply, by an unusual catch, had practically doubled, being 46,960 pounds, which was an abnormal supply for that part of the week. Immediately the price was dropped and advertised at 5 cents a pound, with the result that, as shown by the records, the sales for that day doubled, with resulting advantage to the consumer and the fisherman.

In other words, the price to the consumer, due to this abnormal supply, had been reduced say from 8 cents to 5 cents a pound, or nearly 40 per cent, which was equivalent to a saving to the consumer on that one day of that one variety of fish, of over \$1,000, and the fisherman, on the other hand, was saved from dumping the surplus, or selling it to the fertilizer, at a great loss, at a fraction of his cost.

Experience has shown that when there is a surplus catch of fish on hand, the mere reduction of the price in itself will not move it, because the consumers will not know immediately that the price has been reduced, and before they ascertain the fact the fish are no longer edible.

Two things are necessary: First, lowering the price, and secondly, advertising the lowered price so that the public will quickly know about it. Without the State Fish Exchange this publicity would be impossible. To illustrate, it cost the State Exchange about \$60 to advertise the 5 cent sole on Wednesday, July 10. No one retail dealer could afford to spend \$60 for advertising sole for any one day, in order to retail probably an average of 1000 pounds, which, at 5 cents a pound, would gross him only \$50 in sales. It would, therefore, cost him about 120 per cent on his sales for advertising alone. Whereas, the \$60 spent on that day by the State Fish Exchange, for advertising that particular surplus of fish, covered all the dealers in the zone and not only informed all the consumers within that zone of the lowered price, but placed the fish, through the 408 retail dealers, within their reach as well.

A review of the records of the steam trawlers fishing out of San Francisco Bay, which is the principal source of supply, as submitted elsewhere in this report, will show that the total catch of one month only during the entire year, approached the normal catch of former years. On the other hand, the total catches for the remainder of the year were far below normal, and for the most part 50 per cent or even less than for the corresponding periods of 1917.

Even as this is being written reports are at hand that the fishing fleet off the coast of Los Angeles, a source of considerable supply for such fish as halibut, sea bass, etc., is practically inactive, due to the prevailing epidemic of Spanish influenza which has struck the country like a holocaust, and which has made serious inroads among the fishermen. A majority of the fishermen, locally and in Monterey Bay waters, are also idle for similar reasons, thus still further affecting unfavorably the supply of fish. It is the hope of fishermen and dealers, however, that this condition of limited supply will be of short duration, and that in the near future the daily catch will return to normal.

Despite conditions, this department, through publicity and low prices, has been the means of saving to the consumers thousands of pounds of fish of the less popular varieties that during certain periods of the year would have been diverted to other than human consumption.

EFFORTS TO INCREASE SUPPLY.

The impression exists in many quarters that in order to supply the market with quantities of fish the boats need only make their way to the fishing grounds, cast their nets, and after one drag or so, bring them up staggering under the load. And this, it is thought, can be done at nominal expense.

On the contrary, "fisherman's luck" is as much a factor to the commercial fisherman as to the sportsman. More so, in fact, as the former has far more at stake, especially in trawling, with not only a heavy initial investment and operating expense, but the chance of also losing the fishing net, worth several hundred dollars.

That there is a belief that the ocean is teeming with fish ready at hand is borne out by irresponsible statements which have appeared from time to time, to the effect that tens and tons of cheap fish are lying in the ocean simply waiting to be caught and would be caught but for the laxity of the fish companies. That these expressions are based more on a general and unstudied knowledge of natural history than on a familiarity with practical commercial fishing must be apparent, in view of the results obtained by the trawlers during almost the whole of the past twelve months. It is a fact that during 1918 the trawlers fishing out of San Francisco Bay have exploited every available fishing ground within reach and have been unable for the most part to make a catch sufficient to pay the cost of operations.

It was only natural that the matter gave rise to concern on the part of many. Considerable study was devoted to the subject by this department and efforts were made to persuade various companies and concerns to increase their equipment. Even municipalities such as the city of Oakland were urged to go into the fishing business in an endeavor to increase the supply. Little was accomplished, however, until the Food Administration appealed to the merchants in a letter addressed to the Chamber of Commerce of San Francisco and the Bay cities, in March, 1918, as follows:

"The problem of the production and distribution of fresh fish for the community about San Francisco Bay is so important that it is receiving much attention from various civic bodies, from the state and from the federal government. The need of our armies and of our associates in the war for beef and pork has made the problem of fish production a war emergency measure.

"The United States Food Administration wishes to ask the co-operation and assistance of your honorable body in reaching a satisfactory solution of the most important phase of the fish question, namely, that of production.

"It is the belief of the Food Administration that no permanent solution of the fish problems satisfactory to both producers and

consumers can be found until adequate methods of production are developed. Although it is highly desirable that the interests of the consumer should be safeguarded by agencies representing the state and municipalities, it is hardly possible that such regulatory measures will bring adequate relief until there is a proper supply. The maximum production of fish which can be brought in by the equipment at present available in San Francisco harbor is pitifully small compared with the demand. The communities about San Francisco Bay can absorb more than twice of the maximum production of today. The people of the San Joaquin and Sacramento valleys and of the mountain districts desire fish, but can obtain none at present except at most unreasonable prices. Fish can be distributed through the states of the Rocky Mountain district, and even at present we are shipping fish as far as Philadelphia, where shad caught at Pittsburg, California, and shipped on ice are today being used in place of the Delaware River shad. The fishing equipment owned by the wholesalers of San Francisco is totally inadequate and antiquated. We can hope for no permanent relief until private enterprise undertakes the necessary investment to construct and equip steam trawlers of modern type which can bring into this market the fish obtainable from the large, undeveloped resources off this coast.

"Will you kindly bring this matter to the attention of the members of your Chamber of Commerce and endeavor to encourage renewed interest in fishing as a business enterprise which offers many inducements at this time? We would ask you to state that the United States Government is interested in this fish production problem to the extent of guaranteeing that there will be freedom of distribution and that the consumption of fish is vigorously urged in order that people may consume more fish and less meat."

Only one response was received. By purchasing and converting a palatial yacht to a fishing trawler at a total expense of \$65,000, Frank E. Booth, president of the F. E. Booth Canning Company, entered the deep sea trawling business on a substantial scale. The new trawler, known as the "Ituna," was equipped in the most modern and practical manner, with gear of a type new to this coast. Complaint had been made that the fishing equipment, including the paranzella net of the trawlers in current use, was antiquated and unsuited for fishing in local waters. The "Ituna," with a capacity of 120 tons, as against the average of 35 tons of the boats in current use, carried the "English Otter Trawl," which proved so successful in English waters; the nets costing some \$600 apiece. The experiment was made covering a period of several months and is best described by Mr. Booth:

"For the most part, our operations have been, up to date, purely experimental. We have equipped this boat with the English Otter Trawl and appurtenances and the boat can go offshore for two or three weeks at a time, if necessary, and in this way can fish twenty-four hours at a time, as we carry double crews.

“Unfortunately, however, the fishing grounds are practically unknown and we have met with a great many difficulties in the way of labor and striking snags and hidden rocks. These, of course, in time will be charted and in this way a definite fishing place will be known to us. Another thing we have to learn, is the different seasons when the various ground fish are running, for it seems they do not stay on the same banks the year round. We have fished with the Ituna so far, about fifty miles north of San Francisco and from San Luis Obispo to San Diego. Up to date our operations have been unprofitable but we nevertheless feel that it is only a question of staying with it and getting posted, paying for our experience, as it were, until we do accomplish something that is worth while.

“It is quite likely that we will pursue our investigations along the coast of Lower California in Mexican waters and this subject is receiving our present consideration.

“We have demonstrated that our gear and equipment will pay and we have frequently caught several tons in one trip, but we have not been able to repeat this with any regularity.”

I was later informed that the loss to date on the operations has been about \$10,000. In the early experiments out of San Francisco many of the expensive nets were lost or torn to shreds. The boat has now returned from the south—unsuccessful—to resume the effort in local waters. So far it has been unable to locate and catch sufficient quantities of fish as to increase the supply materially. The fact remains, however, that this is a step in the right direction and given a season when the fish are running normally, will undoubtedly prove successful and profitable. A boat of large capacity and capable of remaining on the fishing banks for several days without the necessity of returning to port to replenish its supplies, has an obvious advantage over the much smaller boat in current use.

The Federal Food Administration in its earnest efforts to aid the situation formed a “pool” of the wholesale fishing houses with a view to thereby increasing the average catch. This pool was under the jurisdiction of the federal government, which, though not directing its operations, rendered substantial assistance in the way of helpful advice. The catch of all the trawlers was pooled and divided equally among the wholesale houses. An “Admiral” directed the operations of the fleet and it was hoped in this way that not only a greater variety of fish would result, but that the catch would materially increase. The actual results, however, were not fruitful, with the exception of obtaining a greater variety.

The greater variety is due to the fact that under one control, trawlers were directed to different localities on the theory that if one pair failed, others might succeed. By trawling in diversified grounds, a greater variety at least was encountered, though not in quantities sufficient to

influence the supply, with the exception of the first part of July, when the average of the daily catch was somewhat greater. July, however, is generally among the heavier supply months of the year, as indicated by past seasons.

Under former conditions, if one pair of trawlers returned with a big catch, that pair was followed by all others the next day in order to get in on the profitable grounds, with the result that the catch of the majority of the boats was confined to one, or but few varieties of fish.

While this measure failed to increase the supply according to expectations, it did succeed in bettering the methods of distribution by the wholesale houses. The fact that little unity of action existed among them heretofore, had resulted in duplication of equipment, and loss in many ways. One creditable correction that may be given special reference and which was originally urged by my department, was the imposing of a charge for boxes, thus insuring their return to the wholesalers by the retailers. This could be successfully accomplished only through concerted action. It is estimated that thousands of dollars will be saved annually in this way as the boxes had proved almost a total loss to the wholesalers who under former conditions seldom saw them again.

The pool also succeeded in eliminating the duplication in wholesale deliveries. Heretofore each of the large wholesaler fish companies had maintained a number of expensive delivery trucks, the upkeep and wear and tear of which proved a serious burden. While it was at first expected to "zone" the city and reduce the number of trucks to some six or seven, this was found impracticable until a central handling point was established. As an alternative, however, wholesale deliveries to retail dealers in San Francisco and Bay cities were discontinued, and deliveries were made only to hotels and restaurants. This proved feasible as well as effecting a material saving to the wholesale fishing companies when it developed that the majority of retailers had their own delivery trucks, or that sideliners visited the commission districts anyway.

Some difficulty was experienced by the wholesalers in maintaining the pool, due partly to the limited supply of fish, and partly to lack of a central handling wharf, the fishing companies having operated with individual wharves scattered along the water front. Although this pool was inoperative for a short period, the Federal Food Administration was able finally to obtain a central wharf, Pier 23, and the fishing companies have decided to resume the agreement. There is no question among them as to its value in times of normal supply, although some doubt exists as to the advisability of continuing it during a "famine" period. Latterly some four more trawlers have been put into operation by two of the companies in an endeavor to at least increase the total supply, but so far with meager results.

That the falling off in the fish supply has assumed serious proportions is indicated by the following article taken from the San Francisco *Examiner* of November 7 last:

FISH SCARCE OUTSIDE HEADS

Fishermen Consider Putting Up Boats; No Reason Known for Strange Shortage.

Local fishermen are seeking to know what is the reason that for the last three weeks fish, formerly plentiful, have ceased to be lured into their nets. Continuance of the coyness on the part of the deep sea denizens outside the heads will mean a fish shortage for the tables of San Francisco and the tying up of the fishing trawlers and launches indefinitely.

A. Paladini & Co. yesterday announced that their fleet of deep sea trawlers had not caught enough fish in the last three weeks to equal one day's normal catch. They were at a loss to advance a reason, save that possibly the fish have been frightened from the banks by sharks and other predatory fish.

Although some discussion occurred as to the necessity of tying up the fleets for the time being, the determination of the fishing companies is to continue as long as possible in spite of the fact the trawlers have not paid for their operation of late months, as only by continuing can the trade be supplied with sufficient fish to retain its custom.

While fishermen have been unable to present any reason for the scarcity of fish on the customary fishing banks or elsewhere, many theories have been advanced. Changing currents and waters of a warmer temperature than in past years is considered by many to be among the reasons, in addition to which crews of returning trawlers have reported waters of different colors that have not been encountered before, which is believed by many to have some effect on the fish. The fact that the flat fish varieties require water of a fairly cold temperature is indicated by their absence in southern waters, Monterey being the "farthest south" of this type. That some change in currents or temperature has taken place during the year is evidenced by the presence in local waters of such fish as barracuda, heretofore caught off the coast.

of southern California, as far north only as San Pedro. Salmon, generally plentiful in Monterey Bay, are also found no farther south than that point and during the past season fell off unaccountably, less than half the normal amount being caught.

While the explanation of changing temperature of the waters may be advanced as only a theory, it would seem to be logical in view of the consistent scarcity of fish wherever the trawlers have operated. It suggests, however, that these types of fish are seeking a temperature more nearly suited to their requirements. If it is a fact that these flat fish varieties have sought deeper waters, the solution would seem to be in boats adapted to deep sea fishing after the style of the "Ituna." With the larger boats operating in addition to those in current use, the waters would then be thoroughly explored. The present trawlers are equipped to fish in water up to 60 or 70 fathoms and are prevented because of their small size from withstanding very stormy weather. In addition to this, the nets used on the trawlers become useless in heavy swells or turbulent oceans. Although the "Ituna" has not so far located the fish in deep sea waters as to be profitable, the experiment is expected to develop fishing grounds that will produce results.

ADVERTISING.

My investigation prior to the creation of the State Fish Exchange had convinced me that it would be necessary to educate the public to the use of available varieties of fish, in order to induce greater consumption. This thought was in mind in the framing of the State Fish Exchange Law, by which any surplus moneys over and above the cost of conducting the exchange are to be used in publicity fish campaigns.

During the year 1917, a season of abnormal catches in steamer fish, great quantities of these fish remained unconsumed from lack of demand and were sent to "fish meal" mills or fertilizer works.

Early in the year 1918, however, it became apparent that conditions had reversed themselves. The daily catches fell off. On the other hand, the public's response to the appeals of this office, through its educational and display advertising had been immediate. The problem soon became not, how to consume the daily supply, but how to supply the daily demand. This has been the situation steadily throughout the remainder of the year, the demand being stimulated by the patriotic efforts of the Food Administration to conserve beef and other foodstuffs by the substitution of fish, etc.

As will be seen by the accompanying table there has been hardly a month throughout 1918 when the catch of steamer fish has not been far below the normal of 1917 in spite of the fact that more trawlers have been operating; nor for that matter has there been sufficient to supply the local San Francisco and Bay cities' markets, let alone the interior markets of the state.

RECORD OF MONTHLY CATCH OF STEAM TRAWLERS OPERATING OUT OF SAN FRANCISCO BAY.
September, 1917—November, 1918.

| Date | Large sole | Small sole | Rex sole | Sand-labs | Flounders | Hake | Skate | Sablefish | Codfish | Tongcod | Chicken halibut | Rock cod | Kingfish | Genuine halibut | Sardines | Total |
|----------------|------------|------------|----------|-----------|-----------|--------|--------|-----------|---------|---------|-----------------|----------|----------|-----------------|----------|-----------|
| 1917—September | 593,040 | 214,420 | 77,320 | 147,340 | 110,340 | 16,640 | 31,480 | 44,760 | 20,115 | 1,040 | 3,830 | 100 | | 20 | | 1,065,805 |
| October | 501,660 | 251,270 | 110,090 | 262,220 | 54,320 | 34,220 | 41,240 | 21,065 | 2,040 | 1,780 | 1,315 | 480 | | 330 | | 1,283,940 |
| November | 505,130 | 296,290 | 97,080 | 169,720 | 8,260 | 12,690 | 33,280 | 5,320 | 17,225 | 2,000 | 70 | 5,360 | 1,000 | | 320 | 1,170,820 |
| December | 538,340 | 247,160 | 114,560 | 74,280 | 3,200 | 12,000 | 34,840 | 720 | 14,065 | 720 | 145 | 3,020 | 100 | 45 | 2,040 | 1,046,265 |
| 1918—January | 352,840 | 91,000 | 7,680 | 90,020 | 87,900 | 12,520 | 39,480 | 2,060 | 7,120 | 920 | 850 | 9,880 | | 100 | | 714,730 |
| February | 320,680 | 148,540 | 18,840 | 135,360 | 27,300 | | 30,680 | 80 | 2,780 | 240 | 2,155 | 10,060 | 11,840 | | | 722,175 |
| March | 160,440 | 92,640 | 34,240 | 200,220 | 56,340 | | 46,700 | 680 | 6,845 | 2,240 | 8,045 | 1,040 | 3,800 | 370 | | 625,500 |
| April | 113,220 | 114,580 | 4,060 | 197,440 | 62,880 | 2,320 | 30,640 | 645 | 5,145 | | 5,350 | 4,305 | 400 | 250 | | 541,065 |
| May | 297,540 | 170,000 | 60,540 | 269,440 | 33,440 | 34,000 | 20,880 | 34,040 | 2,020 | | 3,075 | 8,160 | | 140 | | 872,405 |
| June | 207,280 | 131,880 | 64,480 | 136,440 | 13,300 | 24,720 | 16,780 | 28,020 | 8,055 | | 375 | 26,120 | 26,000 | 2,375 | 320 | 772,005 |
| July | 585,620 | 221,320 | | 201,480 | 47,100 | 44,020 | 7,300 | 133,320 | 920 | | | 1,020 | 36,300 | 100 | 135 | 1,292,015 |
| August | 132,020 | 26,100 | 23,260 | 97,840 | 202,010 | 22,720 | 28,040 | 475 | 2,165 | | 530 | | 3,920 | 130 | | 721,620 |
| September | 50,840 | 175,200 | 2,800 | 126,720 | 112,240 | 550 | 15,280 | | 1,835 | | 905 | | 1,720 | 100 | | 504,350 |
| October | 296,480 | 155,980 | 11,440 | 83,640 | 21,300 | 16,000 | 18,760 | 160 | 7,120 | | 980 | 100 | 5,100 | 175 | 105 | 611,410 |
| November | 124,840 | 162,000 | 37,440 | 56,010 | 2,400 | 3,340 | 20,240 | 305 | 5,400 | 600 | 1,856 | 835 | 9,480 | 57 | 40 | 441,292 |

This condition is almost unprecedented and is explained only by the fact that the fish are not running in as large quantities as heretofore, or else are seeking new localities.

Facing this unusual situation I found it advisable to slow up on the educational campaign, confining it simply to the varieties of fish avoided by the public as being "too bony." For this type of fish, such as greyfish, herring, hake, sardines, skate, sablefish, small sole and one or two others, there has been practically no demand although these are among the cheapest of all fish and in many cases the most delicious.

On such days as the inventory indicated a sufficiently large catch of some particular variety of fish, special display advertising through the daily newspapers has proved effective in moving what otherwise would have been a surplus, and which, in all likelihood, would have been diverted. The majority of the steamer fish will not remain on ice very long without becoming unfit for human consumption. These varieties, therefore, must be placed on the market within a short time after landing, and if not sold within a few hours are in such condition as to make them unfit for consumption.

Through the daily inventory of the "carry over," and the "catch," made by a deputy of the Exchange, an oversupply is immediately made apparent, whereupon display advertising is inserted in the newspapers, informing the public of the large catch and announcing, as a rule, a reduction in price.

In the case of large catches of the more popular kinds of fish, in which an oversupply developed, there has been no difficulty by the methods of publicity followed, in moving them, even in the hot weather. Indeed, I have no hesitancy in stating that through prompt advertising by this office, thousands of dollars have been saved to the dealers, while large quantities of fish were prevented from being diverted from human consumption.

A notable case is that of salmon, during the recent seasonal run of September 12 to 24 on the Sacramento River, when the size of the catch was practically unprecedented in the history of the river salmon industry and which the dealers were unprepared with normal equipment to handle, either for canning, curing or for fresh supply. A prompt reduction in price of some 4½ cents a pound, together with display advertisements published by the State Fish Exchange in the daily papers, quickly relieved the situation.

While the necessity for such action has not arisen as often as would have been the case under normal catches of fish, the State Fish Exchange has been able to place display advertising among the newspapers in such a way as to obtain the best results among the consumers and at the same time give due regard to the economical use of its funds.

This price for San Francisco, Oakland, Berkeley and Alameda. For maximum retail prices on other Fish see market report page.

SPECIAL FISH TODAY FLOUNDER 7c Pound in the round

RECIPE

While the flesh is more delicate than Halibut it may be cooked in same way Halibut is—cooked with broth, tomatoes, milk saute, egged or crumbed and fried in deep fat or oil. Left over portions may be used in making croquettes, cutlets, souffles, salads, fish-balls and cakes.

HAKE 5c Pound in the round

The fishermen made an unusually heavy catch of this Fish yesterday, and this low price should encourage housewives to serve Fish on their menu today.

STATE FISH EXCHANGE

HARRIS WEINSTOCK,
State Market Director.

These prices for San Francisco, Oakland, Berkeley and Alameda. For maximum retail prices of other varieties of fish, see market report page.

Eat Fish Today

Meatless Tuesday

Herring 5c lb.

Do you know there's a treat,
a fine treat for you to-day.

The Herring is here—
an army of them, ready for you
to cook and eat.

Yes, it looks a good deal like
a smelt, and tastes as good.

As for size, just now it runs
about six to the pound.

You can prepare at small cost
a tempting dish of this little fish—
it's a mighty good pan fish.

So buy fish to-day—buy Herring.

A good way to cook it
is to broil it, and be sure to
use plenty of butter.

Should be on sale by all
fish dealers.

Purchasers who are overcharged
are invited to make complaint
in writing to the
State Market Director.

STATE FISH EXCHANGE

HARRIS WEINSTOCK,
State Market Director.

For maximum retail prices of all varieties of fish see market page. This price for San Francisco, Oakland, Berkeley and Alameda.

EAT FISH TODAY

Fish are seasonal; certain kinds are plentiful at some seasons and scarce at others—the same as the daily catch varies. When the supply is plentiful prices are lower.

Why eat high-priced fish when you can purchase as good low-priced fish?

The daily catch of all fish has been small, but

SARDINES

are now plentiful.

8c Pound

You wouldn't expect to get tomatoes in January or peaches in February.

Note the following seasonal catch and Eat Herring and Sardines during the months of

| | |
|----------|-----------|
| October | January |
| November | February. |
| December | March |

Watch the daily papers for other varieties—always changing according to supply:

| | |
|-------|----------|
| SOLE | FLOUNDER |
| HAKE | KINGFISH |
| SKATE | |

But now Sardines are plentiful—a delicious, easily cooked fish. You can buy good canned sardines at 20 cents.

You can get enough fresh sardines for a meal for 8 cents. Buy freshly caught sardines, cook them to retain the fine flavor, and enjoy a real delight.

Odorless Cooking of Sardines

Take one part milk and one part water, add salt to suit. Dip fish and then roll in cracker meal or ground up stale bread. Grease bottom of baking pan. Place sardines in pan. Put in oven and bake 15 to 20 minutes.

If overcharged make complaint to

HARRIS WEINSTOCK

State Market Director

525 Market St., San Francisco.

These prices for San Francisco, Oakland, Berkeley and Alameda. For maximum retail prices of other varieties of fish, see market report page.

Eat Shad Today

Buck Shad 10c

Roe Shad 15c

One Cent Higher If Cleaned.

The Shad run is now on and our rivers are full of this popular-priced fish.

In Eastern states Shad is considered a great luxury, the flavor is unsurpassed, and many carloads are shipped to Atlantic Coast cities every year.

In California this fine fish is not appreciated, yet it is now in abundance and costs little.

This delicately flavored fish can be easily prepared in many ways, and its delectable quality repays all the bother of getting out the bones.

You'll find Shad on the menus of the finest hotels and cafes.

For instance, Victor, the ten thousand dollar chef of the Hotel St. Francis, says:

"The Shad is one of the best fishes we have in California, and I can not recommend it highly enough.

"To get the bones out of the Shad split the fish and you will find that the small bones will hang to the larger, and comes away with the backbone if it is carefully removed.

"Take a thin knife and shave off the rib bones from the inside of the belly and you will then have all the large bones out of the fish.

"The other small bones will melt away while cooking.

"This fish is not appreciated enough on this Coast, and I can only say that the meat is delicious and easy to prepare in many ways."

Should be on sale by all fish dealers.

STATE FISH EXCHANGE

HARRIS WEINSTOCK,

State Market Director.

PUBLICATION OF PRICES.

It has been outlined in my previous report, the newspapers of the cities have entered into the spirit of the public service to be rendered, by publishing daily on the market pages, and without charge to the state, the retail price schedules established by the State Fish Commission. After these prices have been determined every evening, the schedules are issued in time for the morning papers, from which they are copied by the afternoon papers.

These prices, printed in the English speaking papers, are a protection to both retailers and consumers against overcharges. They afforded protection, however, to consumers unable to read English. Arrangements were accordingly made with the Japanese, Chinese and Italian papers who promptly consented to publish the prices gratis. This cooperation on the part of the newspapers of all nationalities has been timely and spontaneous and includes translating into their respective languages the price lists either sent to them, or printed in the morning papers.

As an example of the retail price lists as printed on the market page of newspapers.

Fish Prices Today

THE following are the maximum retail prices for these varieties of fish on October 26, 1918, in San Francisco, Oakland, Alameda and Berkeley. Dealers are free to sell at lower prices, but should not charge more. Purchasers who are overcharged are invited to make complaint in writing to the State Market Director.

Note: Prices not quoted on other fish, due to the very strong demand, which make net operations possible.

| | Cts. |
|------------------------------|------|
| Per lb. | |
| White fish (white fish)..... | 5 |
| Salmon..... | 5 |
| Shad..... | 25 |
| Non (sliced)..... | 25 |
| Lines..... | 8 |

Issued by the State Fish Exchange.

HARRIS WEINSTOCK,
Market Director.

Fish Prices Today

THE following are the maximum retail prices for these varieties of fish on June 4, 1918, in San Francisco, Oakland, Alameda and Berkeley. Dealers are free to sell at lower prices, but should not charge more. Purchasers who are overcharged are invited to make complaint in writing to the State Market Director:

| | Per lb. |
|--|---------|
| Large sole, round..... | 10c |
| Large sole, cleaned..... | 11c |
| Small sole, round..... | 6c |
| Small sole, cleaned..... | 7c |
| Rex sole..... | 7c |
| Sandbars, round..... | 11c |
| Sandbars, cleaned..... | 12c |
| Hake (white fish)..... | 5c |
| Skate..... | 5c |
| Sole, filet, black skin off..... | 17½c |
| Sole, filet, black and white skin off..... | 20c |
| Striped bass, 5 lbs. or under..... | 20c |
| Striped bass, over 5 lbs. | 22½c |
| Sablefish (in the round)..... | 6c |
| Buck shad..... | 10c |
| Buck shad, cleaned..... | 11c |
| Roe shad, whole..... | 15c |
| River salmon, cleaned and sliced..... | 22½c |
| Monterey and S. F. bay salmon, cleaned and sliced..... | 20c |

HARRIS WEINSTOCK,
Market Director.

Lecturing and Cooking Demonstrations.

The revenue of the State Fish Exchange has not made it possible to carry out the original plan of permanently employing expert demonstrators for the purpose of giving practical cooking demonstrations, thus familiarizing the public with the cheaper kinds of fish in adjacent waters. However, much has been done in this way on different occasions, the small expense entailed being amply justified by the results accomplished. Practical cooking demonstrations have been held from time to time, under the able charge of Mr. Vincent Quartararo, Deputy of the State Fish Exchange, accompanied by an expert cook, skilled in home cooking.

These demonstrations, principally held in San Francisco, were confined to instruction in preparing and making attractive the unpopular varieties of fish. The cooking demonstrations were accompanied by lectures, in the nature of an appeal for greater fish consumption, especially of the hitherto unpopular varieties of fish.

I also co-operated in this connection with the Federal Food Administration in a joint fish exhibit and cooking demonstration being held at the Allied War Exposition in San Francisco during July. The great crowds visiting the Exposition eagerly attended the exhibit and took a keen interest in the instructive talks and in the cooking demonstration, the results of which were immediately reflected in an increased demand as shown by reports of the dealers. This was opportune, as it happened that July was the only month during the year when a nearly normal supply was available. A similar joint exhibit on the part of the state and the federal authorities was also given at Los Angeles, during the Allied War Exposition held in that city with equally good results. The demonstrations conducted by this department undoubtedly have served as object lessons to the federal government which lately has conducted similar fish cooking demonstrations at the leading centers of the state, under the auspices of the Federal Bureau of Fisheries, with whom this department has co-operated.

Motion Pictures.

Motion pictures as an educational medium also proved useful. Two two-minute reels, prepared in advance, were released, drawing attention to the price schedule on the market pages of the daily papers and urging the substitution of fish for other foodstuffs necessary to conservation. These reels the moving picture houses generously consented to run without charge. We were able for a short period to take advantage of this welcome assistance with some of the most prominent picture houses,

including two vaudeville houses of national routing. The others have signified their complete willingness to co-operate with us, even voluntarily seeking them. Until the catch again increases, however, I deem it wise to withhold them.

I wish here to express my hearty appreciation to the managers of these motion picture houses for their co-operation and support. The success of the pictures was instantaneous and the reception accorded them justifies our faith in the benefit to be derived from their use at a later date.

VIOLATIONS AND PROSECUTIONS.

While there was at first experienced a disposition on the part of certain fishermen's organizations wilfully to disregard and oppose the regulations of the State Fish Exchange, the compliance with the law by licensed dealers has in the main been fairly satisfactory, particularly since it was found necessary to deal summarily with certain violators and suspend their licenses. As a matter of fact, retail dealers, as well as wholesale dealers, as a rule, have come to regard the law as a protection to them as well as the consumer, rather than a handicap. This has been evidenced by the hearty accord with which the majority of them have assured me that whenever the State Fish Exchange advertised a surplus catch of fish at popular prices, their sales have materially increased. Certainly the sentiment among the dealers is, as a rule, in favor of price regulation and control and against a reversion to the former unsatisfactory and uncontrolled conditions.

The chief opposition to such regulations as it has been necessary to issue in order to control prices and the distribution of fish, has arisen from two different sources. First, opposition from fishermen's organizations to the license requirements; and second, opposition in the beginning on the part of a certain few licensed dealers.

This spirit of antagonism from both sources, having as its chief purpose the question of the constitutionality of the State Fish Exchange Act, developed shortly after the opening of the Exchange, when various fishermen's organizations, formed for the purpose of marketing the catch of their members, wilfully refused to procure licenses from my department as required under the law. Legal proceedings were immediately instituted, and with one exception every such organization has been obliged to take out a license and to submit to the state regulations.

The one exception is the Rock Cod Fishermen's Protective Union, a co-operative organization formed by rock cod fishermen for the purpose of marketing their fish, with headquarters at San Francisco, and often fishing as far as twenty-five miles out at sea. Court action was taken against this Union in 1917 upon its refusal to take out a license from the Exchange. The organization was adjudged guilty in January, 1918, the conviction being based on the violation of section 9 of the State Fish Exchange Act, which provides that any fishermen's organization selling the catch of its members, or agents selling the catch of such organization, shall pay to the state a semiannual license fee.

Inasmuch as it was their avowed intention to question the constitutionality of the law, a merely nominal fine was imposed. Appeal was taken and no decision was obtained until September, 1918, when the Superior Court (Judge Frank H. Dunne) rendered a decision affirming the order and judgment of the Police Court.

The Union was immediately notified to procure a license and to pay the back license required on pain of arrest of its representatives. The notice was ignored and the president and secretary of the organization were promptly haled into court. Again a decision was rendered in favor of the state, Police Judge Mathew Brady fining the Union \$100. Appeal was filed by attorneys for the defendants and the case is now pending in the Superior Court.

They were also notified to produce their books and records of catch for the information of the State Market Director, as provided in section 26 of the State Fish Exchange Act, in order to obtain information upon which to base prices. On their failure to answer the summons, a citation was procured from the Superior Court ordering them to appear and show cause why they should not be forced to produce their books for this department. The following day the union voluntarily appeared with the desired records. As a consequence, the citation in the Superior Court was dismissed.

As it appeared to be the intention of the Union to ignore entirely the decision of the court relative to the sale of fish without a license, more drastic action was decided upon. Warrants were sworn to and late on the night of Friday, November 22, the captain and crew of four of the boats operated by members of the Union—in all some twelve men—were placed under arrest as they returned from fishing. The president of the Union was also placed under arrest for the third time. These cases are still pending in the police court and no effort will be omitted to force the issue in this case; until the Union is forced to take out a license with the State Fish Exchange, this department is unable to enforce with any degree of success prices established on the different varieties of rock cod.

CONSTITUTIONALITY OF THE ACT.

As has already been noted, dealers, both wholesale and retail with few exceptions, had concluded to abide by the prices established daily by my office. While many violations occurred at first, these were found to be due principally to ignorance or unfamiliarity with the law and the number of violations gradually lessened. Among the wholesale houses a spirit of unanimity has been evident almost from the start, with the exception of one house whose activities promised to cause considerable difficulty in turn among the retailers who, overcharged by this wholesaler, were forced in turn to overcharge their customers. I refer to the now famous A. Paladini case. So long as this case was in court, questioning as it did the constitutionality of the State Fish Exchange Act, it proved well nigh impossible to control the dealers. I am pleased to be able to report that, while here and there isolated cases of overcharges or violations are from time to time reported, complaints have now materially lessened and the dealers themselves have come to look with disfavor upon those of their number who continue to violate the established prices.

Since the Paladini case has been determined by the courts and the *absolute* constitutionality of the act has been upheld by the State Supreme Court, no question has arisen as to the right and authority of the State Market Director to regulate and control the prices of fish within the state of California.

It may be well, under the circumstances, to give a review of this case which held the attention of the newspapers, the courts and the public for many weeks and which, had the offender been successful, would have upset all the good work already accomplished and made practically useless the law designed to prevent excessive prices as well as the needless diversion of fish for the possible purpose of increasing prices.

While my deputies had reported many cases of excess charges, the wholesalers had, as a rule, been free from complaint. In the early part of 1918, however, it was found that the large wholesale house of A. Paladini Company was flagrantly charging more than the prices fixed by the state, making no effort to cover up these violations, and thus causing considerable trouble among the retailers, who, though having to charge higher prices to the consumers, in order to maintain a profit in turn, quickly reported the matter to me. Thus, in March, 1918, A. Paladini, known as the "Fish King" was cited to appear and show cause why his license should not be suspended or revoked for the violation of section 6 of the State Fish Exchange Act. He was also cited to appear and testify and to bring with him the books and sales records of his firm. While Paladini appeared, he refused utterly to produce

the desired records. Subsequently and in conformity with the provisions of the act, legal procedure was resorted to, and after various delays instituted by the defendant, during which the question as to the constitutionality of the State Fish Exchange Act was raised, an order was obtained from the Superior Court (Judge George A. Sturtevant), compelling the Paladini to produce the desired documents; whereupon the Paladini filed in the Supreme Court a petition for an alternative writ of prohibition. An answer was filed and the case went to court on June 3, 1918. The Supreme Court rendered its decision, completely sustaining the State Fish Exchange and confirming the constitutionality of the act. The decision in full follows:

S. F. No. 8097. In Bank. June 3, 1918.

A. PALADINI and ALEXANDER PALADINI, Petitioners, v. THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, etc., HON. GEORGE A. STURTEVANT, Presiding, and HARRIS WEINSTOCK, State Market Director, Respondents.

Application for writ of prohibition prayed to be directed against The Superior Court of the State of California, etc., Hon. George A. Sturtevant, Presiding, and Harris Weinstock, State Market Director.

For Petitioners—H. I. Stafford, W. F. Stafford and James A. Devoto; Milton Marks, *amicus curie*.

For Respondents—Sapiro, Neylan & Ehrlich.

Petitioners seek a writ of prohibition to prevent the carrying out of an order of the superior court requiring them to produce before the respondent, Harris Weinstock, state market director, their ledger and sale account for the week February 20th to 28th, 1918, and to prohibit the superior court from punishing petitioners for contempt of court in failing to comply with said order.

The respondent, Harris Weinstock, as state market director, is attempting to carry out the procedure provided in the law enacted by the legislature of this state in 1917 (Chap. 803, p. 1673, Sec. 26), providing for the licensing of fishermen and those who sell fish, and authorizing the state market director to fix wholesale and retail prices of fish. It is first contended that the statute is unconstitutional and void as being in violation of section 25, article I of the constitution. This section reads as follows:

"The people shall have the right to fish upon and from the public lands of the state and in the waters thereof, excepting upon lands set aside for fish hatcheries, and no land owned by the state shall ever be sold or transferred without reserving in the people the absolute right to fish thereupon; and no law shall ever be passed making it a crime for the people to enter upon the public lands within this state for the purpose of fishing in any water containing fish that have been planted therein by the state; provided that the legislature may by statute, provide for the season when and the conditions under which the different species of fish may be taken."

The petitioners claim that by this section "the people are given the constitutional right to fish in the navigable waters of the state." If there were no such constitutional provision, petitioners state the rule thus: "The fish belong to the people of the state of California. This is conceded. It must be so, that what they own, they may give away absolutely, or conditionally, with or without reservation." The rule with reference to the private ownership of fish and game is thus stated in the late case of *Frank Phocdorius*, 170 Pac. 412: Fish and game "can only become the subject of ownership in a qualified way, and which can never be the subject of commerce except with the consent of the state and subject to conditions which it may deem best to impose for the public good." (See also *Ex parte Bailey*, 155 Cal. 472; *Ex parte Fritz*, 86 Miss. 210; *Ex parte Kenneke*, 136 Cal. 527.) It is, therefore, evident that what the people of the state own they can alienate on such terms as they choose to impose and that this power of regulation continues so long as such

fish or game are the subject of trade or transfer. This legislative power was in no wise modified by the addition of section 25, article I (*supra*) to the constitution. It is apparent that the principal purpose of this amendment, as stated in the *Matter of Application of Parra*, 24 Cal. App. 339, "was to preserve to the people the right to fish upon the public lands of the state, and to require that grants of land by the state should not be made 'without reserving to the people the absolute right to fish thereon'." The proviso in the section authorizing the legislature to fix "the season when and the conditions under which the different species of fish may be taken" was evidently intended to leave the matter exactly as it was before the adoption of this amendment in November, 1910, except as it restricted the power to alienate public land without such reservation, or to create private fisheries thereon. This section gave no right to the people which they did not already have. We conclude, therefore, that the legislature had the right to provide a system for fixing the wholesale and retail prices for the sale of fresh fish, allowing "a reasonable compensation or profit to those engaged in the catching or selling of fish," as in the act provided.

Amici curiæ call attention to the new section of the constitution (sec. 25½, art. IV), adopted in November, 1902, to wit: "The legislature may provide for the division of the state into fish and game districts, and may enact such laws for the protection of fish and game therein as it may deem appropriate to the respective districts," and claim that the effect of this provision is to limit the power of the legislature to the "protection of fish and game." The obvious purpose of this amendment was to remove the former restriction of article IV, section 25, subdivision 33, which prohibited the enactment of a local law "where a general law can be made applicable," and in no wise limits the sovereign power of the state over fish and game, or of the legislature to legislate concerning the same. On the contrary, it increases the legislative discretion by authorizing local laws on the subject.

Petitioners claim that the right to fish is a property right, granted by license; that to take away such license is to deprive the petitioners of a property right, and therefore a proceeding looking to that end is in its nature criminal, and that to require the petitioners to produce papers containing evidence against themselves in such a criminal action is unconstitutional. It is sufficient to say that the license to fish is a privilege granted by the state and may be taken away in the exercise of its police power. (See *Heaven v. Reed*, 126 Cal. 219, 222; *Littleton v. Burgess*, 2 L. R. A. [N. S.] 631. See also *Lanterman v. Anderson*, 26 Cal. App. Dec. 522, wherein a petition for a hearing in this court was denied.) The proceeding before the state market director is not criminal in its nature, and the order compelling the petitioners to produce their books before the state market director was not in violation of the constitutional provision which prohibits a court or officer from requiring a defendant in a criminal case to furnish evidence against himself.

It is also claimed that the order to produce petitioners' books violates the constitutional provision prohibiting unreasonable searches and seizures. (Art. I, sec. 19, Const. of Cal.; Fourth Amendment, U. S. Const.) Books and papers containing a record of the purchase and sale of fish, made since the above law of 1917 went into effect, are no longer private. They contain a record of the purchase and sale of the property of the state, by those having a qualified or conditional interest therein. By engaging in the fish business and applying for a license therefor petitioners, in effect, consented to the inspection of their books as in the law provided. To require the production of such books is not a violation of the constitutional provision in question. It is next claimed that before the state market director can take evidence on the question of the revocation of the petitioners' license to fish it was essential that some proceeding should be pending before him for the revocation of such license, and that it should be alleged in some such petition so filed that the petitioners herein had violated the law in regard to the sale of fish at prices not authorized, and that until some such proceeding is filed the state market director had no jurisdiction to proceed, and that, therefore, the subsequent procedure by application to the superior court falls for lack of jurisdiction in the first instance. The law purports to give the state market director the right to inspect the books of all persons engaged in the business in which the petitioners are engaged. It also provides for the production of such books by subpoena. The purpose of such procedure is to enable the defendant, Weinstock, as state market director, representing the people of the state of California, to ascertain the conditions under which fish are being sold, not only for the purpose of determining whether or not there have been violations of his orders fixing the price of fish, but also to ascertain what prices should be fixed.

As already stated the petitioners, by engaging in the business of dealing in fish caught in the waters of the state, in effect consented to the inspection of their books by the state market director, as in the law provided, and the procedure here adopted for securing the presence of said books at the time of the examination of the question as to whether or not the petitioners had violated the provisions of the law with relation to the prices at which fish were sold was in strict accordance with the letter of the law and there is no reason for interpolating into the law by construction provision not found therein. Petitioners also claim that "too much power is delegated to this state market director and a power which can not be delegated," but the only specific power pointed out under this head is that "Section 8 provides that if the supply of fish in the judgment of the state market director is excessive or abnormal, the state market director may reduce the price of fish." This section seems merely to recognize the well-known law of commerce—the law of supply and demand—by which, in theory, at least, all prices are fixed. This provision, however, would not, in any event, render the whole law unconstitutional, and therefore it is unnecessary to pass on this point.

Petitioners claim that the order to produce is not sufficiently definite and is too broad in its terms. It is alleged by petitioner, A. Paladini, that he is engaged in the business of selling fish at wholesale in California and licensed so to do, and also that he is licensed to fish. If the order and subpoena to produce books complained of had been confined to books containing record of transactions in such fish business, between the dates specified, the same would have been sufficiently definite and certain, and in full compliance with the law. The order and subpoena, however, directs the petitioners herein to produce "the sales records and ledger accounts with your customers covering the period from the 20th of February, 1918, to February 28th, 1918." The order and subpoena are, therefore, entirely too broad, and beyond the jurisdiction of the state market director and of the superior court. The order should have been confined to the production of books and documents relating to such fish business.

Let the writ issue.

WILBUR, J.

We concur:

SLOSS, J.

SHAW, J.

MELVIN, J.

ANGELLOTTI, C. J.

RICHARDS, J. *pro tem.*

This, however, failed to end the matter. Immediately following this victory for the state, it was found upon further investigation, that this same concern was again overcharging. For the second time the authority of the state was flouted, the head of the firm actually failing to appear after a notice had been served upon him, this time in the form suggested by the court in its decision. I again had recourse to the Superior Court, which issued an order upon this firm. In the meantime I determined after a thorough review of the facts and the evidence of their entire disregard of the state authority, to take definite action and suspend their wholesale fish license for ten days. No notice, however, was taken of this sentence, and Paladini & Company continued to operate as boldly as ever. The heads of the firm were arrested as a consequence for violating the license requirements of the Penal Code.

This had its effect and before the case was called in court the heads of the firm called at my office and signified their intention thereafter to abide by the sentence prescribed by the State Market Director. They also agreed that they would not in the future knowingly violate the State Fish Exchange regulations. As a result of their action and not

wishing to obstruct any more than was absolutely necessary the distribution of so important and perishable a product as fish, I commuted the sentence, suspending their license for five days. Thus for the last five days of the original suspension this wholesale house remained closed.

I have gone into this case at length because of its importance and because of its effect upon the entire operations of the State Fish Exchange, hindering as it did for the time being the administrative function of this department and for a while even questioning the constitutionality of an act which has done so much to clear the fresh food fish situation in California, not only in controlling prices to the consumer, but in saving the public many thousands of tons of fish that otherwise would have been wasted.

Paladini, oldest and most powerful of the wholesalers, was a strong force, and so long as he continued to ignore the authority of the state and to violate price schedules issued by the state, he influenced other and weaker dealers to do likewise.

The cases in court were subsequently dismissed, since which time the Paladins have shown every endeavor to co-operate with this department and to adhere strictly to the regulations of the State Fish Exchange.

In its decision the Supreme Court sustained absolutely the constitutionality of the State Fish Exchange Act and the authority of the State Market Director to establish prices, thus clearing away the last vestige of doubt as to the right of the State to control the fresh fish industry and enabling me to enforce the regulations incident to such control.

As a result of the successful termination of this long fought case, the number of violations immediately decreased. Dealers who formerly overcharged, changed their attitude and a lessening of complaints followed, particularly after the flagrant violators suffered the suspension of their licenses for a short period.

While drastic action has been necessary in a number of cases, it has not been the inclination of this department to be unduly harsh nor to obstruct or retard the regular distribution of perishable food fish by eliminating the offending dealers from the scheme of distribution. Thus, when it has been possible to secure results by means other than the revocation of a dealer's license, I have refrained from closing his establishment, particularly in the case of a "first offense."

Whenever action has been taken against an offending dealer, it has had immediate results upon the trade. As a rule, it has been found that a severe warning followed by instructions to post the prices daily in a conspicuous place, where consumers may see them before purchasing, has proven sufficient to effect immediate reformation.

A subsequent effort was made in June by the large wholesalers, *practically in unison*, to oppose the prices set by this department, and

to sell salmon for higher prices. Immediate action was taken to have these offending dealers show cause why their licenses should not be suspended. As a result, a general hearing was held at which the dealers agreed to abide by the established prices, judgment being reserved pending their future behavior.

That this had its effect was evidenced by the results of a similar occurrence some months later when a number of wholesalers attempted again to obtain excessive prices on salmon. By order of this department, an immediate rebate in every case was made of the overcharges to the retailers.

While the supply of fish has been so scarce of late that this department has been unable to establish prices on other than a few varieties, the falling off in complaints and prosecutions is attributable chiefly to the diligence of this department in enforcing the established prices. Inspections are frequently made by members of the staff. In addition to this, investigation is made of every complaint reported by consumers to the department, followed, where such cases warrant, by a formal hearing of the offender attended by his counsel, as provided in the act, and by such action of this department as is considered warranted by the offense.

PRICE CONTROL.

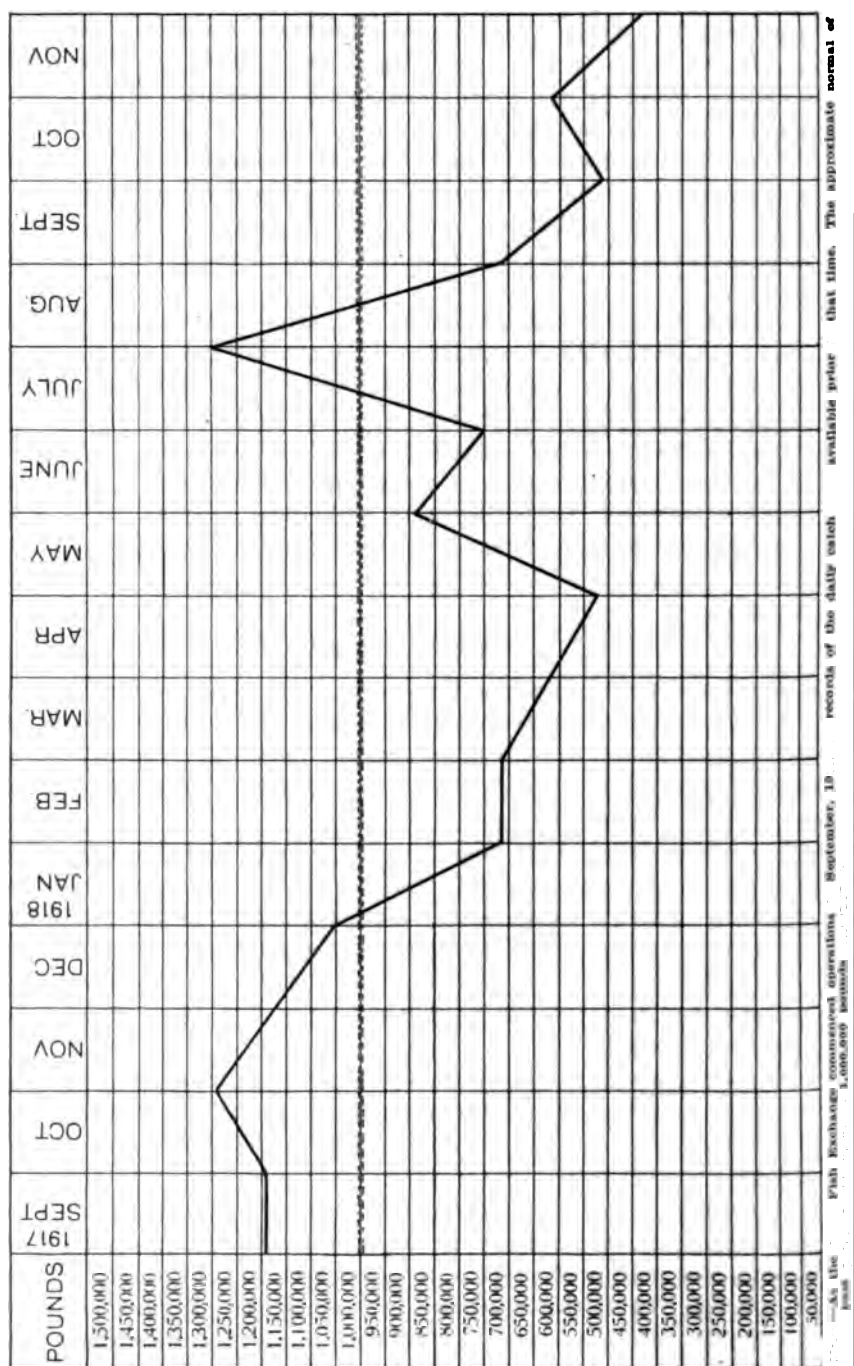
Two factors have entered into the machinery of price regulation during the past twelve months which had not before been anticipated, and which proved to be serious at all times. They were first, a decreased supply; and second, rising cost of operations in the production and handling of that supply.

Stress has already been laid upon the difficulties in the way of equitable price regulation in the face of an inadequate supply. Designed originally to find a compensatory market for surplus fish, particularly in times of oversupply, and thus provide the consumers with a continual supply of fresh food fish at low prices, the State Fish Exchange has not only had to cope with a limited supply, but also with a greatly increased demand.

Unfortunately, just when the activities of the Exchange were running smoothest and the method of arriving at prices daily had resolved itself into a well-ordered, easily-running machine, the daily catch began to fall off.

It must be remembered that the State Fish Exchange Act (Sec. 6a, paragraph 3) provides that at all times the established prices must allow a reasonable margin of profit to those engaged in the catching or selling of such fish. With this in mind it may readily be seen that on a declining supply, the returns to the producer must rise accordingly or he will fail to produce, since the same amount of time and effort is involved, *whether the catch be large or small.*

Chart of the Rise and Fall of Steam Trawler Catches, September, 1917, to December 1, 1918.



In former days, prior to the entrance of the United States into the world war and the subsequent responsibility devolving upon each individual for the use of substitutes in the place of staple articles adaptable to shipping overseas, the normal demand of the market tributary to San Francisco consumed approximately 50,000 pounds of fish daily. Of this amount, about 20 per cent comprised the so-called "steamer fish," or sole, sand-dabs, etc. Under ordinary circumstances a surplus remained after the demand had been filled, and the balance was either held over or diverted to fish mills for poultry food or glue. So universally has the appeal for increased consumption of fish been heard, it is now estimated that ordinary demand would readily consume fully 90,000 to 100,000 pounds per day. The daily consumption of the steamer fish from local waters has been encouraged to such an extent it is now estimated at 40 per cent of the whole.

On entering the current year, it was confidently expected that a normal supply would be available. Only for one month, however, that of July, was there anything like an ample supply of fish. With that one exception, the average monthly catch proved to be less by 50 per cent than the corresponding periods of the preceding year. Indeed, as the months ensued, the situation grew steadily worse, and of late the monthly catch has been barely over 40 per cent of the catch of the corresponding period of last year.

The heaviest demand for fish comes from the thickly-populated districts surrounding San Francisco Bay and is supplied chiefly with steamer fish. Only a small fraction of these varieties is shipped out and then only when surplus quantities are caught.

Not only has there been insufficient supplies of steamer fish, but the salmon catch at Monterey Bay, generally heavy in spring and summer, proved a fraction of the expected run. In addition to this, the supplies of fish from southern waters, namely, halibut, barraenda, seabass and others, turned out to be below normal. With the exception of varieties of fish adapted to curing or canning, such as herring, sardines, tuna, etc., the supply throughout the state waters was less than normal for the year. The canning and curing varieties only were caught in abundant quantities. Canned and cured fish, be it remembered, is beyond the jurisdiction of this office. Curiously enough, the average consumer in California has given evidence of desiring such types (because they are small and more or less bony) in tins at double the prices for which the same fish could be purchased in the fresh condition, notwithstanding the fact that these varieties are among the most delicious and cheapest fish to be found in the state.

It is well to record that only at one source of supply, that of the Sacramento River during the fall season, was the catch of salmon sufficient to satisfy demand. There the run for the last ten days of the

summer season proved to be greater than ever before, breaking all records. Prices were lowered accordingly, but where under ordinary circumstances a large amount would have reached the consuming public months later via the storage plant, here, due to a number of reasons, the supply of storage salmon that is put in ice to await the lean winter months was exhausted within less than a week after the season closed on the river.

This was due to two reasons. First, the Sacramento River salmon in the fall is a fair canning, as well as curing, variety. The extremely large run was both opportune and fortunate owing to the great demand in Eastern markets, particularly for the cured variety. So great was the catch, it could not be handled in the usual way, and a large percentage was perforce cured. No limitations were placed by the government on prices of the cured products.

The second reason was the high prices both here and in the East obtainable for the cured product, that is brined and smoked. With the lowered price that I promptly established on the fresh article, consequent upon the large catch, in an effort to give the consumer some benefit for the time being, a large portion of the salmon was immediately placed in barrels for curing by the shrewd dealers to obtain far higher prices in Eastern markets. Thus is illustrated one of the difficulties experienced in lowering prices on varieties of fish suitable for export from this state in one condition or another, either fresh, cured or canned, as the case may be.

It is impossible for this department to control prices of fish in other states. Needless to say, those prices are without exception higher than those established by this department, especially when, in the face of an increased supply as that quoted above, I have lowered prices here accordingly.

In spite of these influences, however, and the pressure incident to a lessened supply, reasonably low prices were maintained throughout the year. I refer, of course, to those varieties on which it was found possible to establish prices.

Comparison of Prices Before and After the Establishment of Price Control.

| | Large sole, per lb. | Small sole, per lb. | Sand dabs, per lb. | Fluke, per lb. | State per lb. | Price of sole, per lb. | Stable fluke, per lb. | Kingfish, per lb. | Salmon, per lb. |
|-------------------------------|------------------------|------------------------|-----------------------|-------------------|------------------|---------------------------|--------------------------|----------------------|--------------------|
| 1918..... | \$0.08 | \$0.05 | \$0.00 | \$0.05 | \$0.05 | \$0.17½ | \$0.08 | \$0.08 | \$0.22½ |
| 1918..... | .10 | .12½ | .05 | .05 | .05 | .20 | | | .22½ |
| 1918..... | .07 | .05 | .11 | .05 | | .17½ | .08 | .08 | .22½ |
| 1918..... | .07 | .05 | .11 | .05 | | .17½ | .03 | .08 | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | .05 | .17½ | .08 | .10 | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | | .17½ | .03 | .10 | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | | .17½ | .08 | .10 | .22½ |
| 1918..... | .05 | .07 | .09 | .05 | | .17½ | .05 | | .22½ |
| 1918..... | .08 | .04 | .09 | .05 | | .17½ | .05 | | .22½ |
| 1918..... | .05 | .04 | .09 | | | .17½ | .05 | | .22½ |
| 1918..... | .07 | | .09 | .05 | .05 | .17½ | .05 | | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | | .17½ | .05 | .10 | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | .05 | .17½ | .05 | | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | | .17½ | .05 | | .22½ |
| 1918..... | .09 | .05 | .11 | .05 | | .17½ | .05 | | .22½ |
| 1918..... | .09 | .05 | | .05 | | .20 | | | .22½ |
| 1918..... | .08 | .05 | | .05 | | .20 | | | .22½ |
| 1918..... | .07 | .05 | .11 | .05 | | .17½ | | | .22½ |
| 1918..... | .07 | .05 | .11 | | | .17½ | .08 | | .22½ |
| 1918..... | .09 | .05 | | | .05 | .20 | .08 | .10 | .22½ |
| 1918..... | .07 | .05 | .09 | .05 | | .17½ | | | .22½ |
| 1918..... | .08 | .05 | .09 | .05 | .05 | .17½ | | | .22½ |
| 1918..... | .08 | .05 | .11 | | .05 | .17½ | .07 | | .22½ |
| 1918..... | .09 | .05 | | | | .20 | .05 | | .22½ |
| 1918..... | .08 | .05 | .11 | .05 | | .17½ | .05 | | .22½ |
| 1918..... | .08 | .05 | | .05 | | .17½ | .05 | | .22½ |
| price per pound, 1918..... | \$0.077 | \$0.05 | \$0.008 | \$0.05 | \$0.05 | \$0.179 | \$0.057 | \$0.092 | \$0.225 |
| price per pound, 1917..... | .10 | .075 | .10 | .05 | .05 | .20 | .125 | .125 | .225 |

—Prices for the month of July were chosen for the purpose of comparison for the reason catch during that month more nearly approached normal than any month during 1918. As a consequence no definite records were available as to prices of fish prior to that time. The above average prices for July, 1917, were obtained from retail firms doing a "cash and carry" business. Retail houses doing a credit and delivery business as a rule sell somewhat higher than the "cash and carry" stands, whose average prices for July, 1917, are listed in the last column. Therefore the average decrease in prices effected by the State Fish Exchange has been greater than would appear above.

· Increase in Cost of Production and Operation.

The next factor to exert pressure upon the established basis of price fixing and providing both the fishermen, the wholesale fishermen and retailers with a logical excuse to demand wider margins, was the continually increasing cost of operation. In common with the climbing prices of materials in the manufacture or production of almost any article since the opening of the war, the cost of producing and preparing fish for the market rose accordingly.

On the basis upon which the various prices are arrived at (always allowing for supply and demand, together with the margin allowed between the fishermen and wholesalers and between the wholesaler and retailer,

viz: the proper division of the consumer's dollar), has already been thoroughly discussed in my previous report. I will therefore not weary you with a repetition, except in so far as it may indicate to what extent the same division was influenced by altered conditions.

Three factors had of course to be considered. They were:

a. The Fisherman. Not only did he have the same increase in the cost of living to contend with that every other individual has, but being a producer, dependent upon his very necessary tools, in addition to his individual effort, he soon found that these same tools could only be had at double, treble, or even more than prices paid the preceding year. As a matter of fact, investigation on the part of this department found that the materials necessary to the making of the fishermen's nets, such as rope and twine, practically doubled in price. Where the fisherman paid 40 cents per pound for cotton in 1917, he paid fully 75 cents per pound in 1918. Distillate for his launches increased from 6 cents per gallon to 11 cents per gallon. Bait, wherever used, also increased in price due both to scarcity and to cost of producing.

In addition to these considerations was that of smaller catches, making a higher price to the fisherman imperative in order to keep him fishing.

b. The Wholesaler. The majority of the wholesaling is controlled by six large houses operating in San Francisco, as distributors for almost the entire state, with the exception of the southern part of the state. These houses maintain large plants, with branch houses for redistribution, including storage capacity. In these plants a large force of men must be maintained at all times, whether the catch be great or small. The following comparative figures will indicate the actual average increase in the cost of operating these plants, due to higher cost of materials, as well as shorter hours and more pay for the employees.

Comparative Increase in Operating Expenses, Wholesale Distributing Plants.

| | July, 1917 | July, 1918 |
|-----------------------------|------------|-------------|
| Auto expense | \$1,415 25 | \$2,048 07 |
| General expense | 1,854 97 | 2,502 52 |
| Interest and discount | 712 49 | 1,405 58 |
| Salaries and labor | 5,053 53 | 8,003 58 |
| Ice expense | 73 70 | 270 09 |
| Totals | \$9,720 24 | \$16,071 25 |

Because San Francisco and the transbay cities are the most thickly populated, they provide some 408 dealers. The investigation as to costs was consequently first made here and will serve as the best illustration. It is only a criterion of other points.

c. The Retailer. Here the cost of operation is affected by practically the same condition as with the wholesaler, although the volume of the individual business is small in proportion. Not only did overhead expenses, such as cost of paper, twine, deliveries, etc., increase materially, but the scarcity of labor, due to the army draft and the labor demand for war activities, compelled him to pay much higher wages to or less efficient help, thus adding to his difficulties. The following figures will show clearly the comparative increase in labor and overhead expenses between the years 1917 and 1918.

Comparative Increase in Operating Expenses Among Retail Fish Dealers.

| | During | |
|--|--------------|--------------|
| | August, 1917 | August, 1918 |
| Work or fish cleaner, per week..... | \$18 00 | \$25 00 |
| Driver on machine, per week..... | 12 00 | 20 00 |
| Extra driver on Friday, per day..... | 3 50 | 4 50 |
| Extra fish cleaner, Friday, per day..... | 4 00 | 5 00 |
| Twine, 500 pounds every five days..... | 3 15 | 3 60 |
| Paper, per bundle..... | 6 50 | 10 10 |
| Twine, per pound..... | 42 | 76 |
| Oil (for machine), per gallon..... | 45 | 65 |
| Average, per month..... | 4 00 | 10 00 |

Most serious of all, however, was the predicament of the wholesaler-fishermen, engaged in trawling for the varieties of flat fish which form the chief supply of San Francisco and her neighbor cities, as well as adjoining districts. Under normal conditions and takes, these trawlers provide fully 40 per cent of the fish supply of central California.

Five of the same wholesale companies referred to herein, which for this purpose shall be designated wholesaler-fishermen, are engaged in the business of deep sea trawling, operating two trawlers each for the principal part of the year. Latterly two more were added by the sixth house. Thus there have been from five to six pairs of trawlers operating for miles up and down the coast out of San Francisco, each trawler being valued at from \$10,000 to \$25,000. The average daily cost of operation in 1917 amounted to from \$100 to \$150 a set. The average daily cost in 1918 proved to be approximately \$200.

Each trawler carries an average of seven deck fishermen, a captain, engineer, helper, watchman, etc. Often a net, costing in the neighborhood of \$250 is lost, plus the day's catch, while the cost continues. Also, these boats must often be laid up for repairs, the cost of which, due to present labor and material values, is excessive.

Investigations incident to the claims of the various factors for increase in rates developed that the cost of operating these trawlers has increased

from 60 to 75 per cent since July, 1917, varying to some extent under different management. This increase may be credited to labor, as well as to all materials or products used in the operation of the trawlers. While some articles doubled in price, many trebled. In addition, it was necessary for the companies engaged in trawling to steadily increase wages, as well as to grant shorter hours with pay for overtime or the addition of another shift.

Actual figures of the cost of operation of the trawlers were obtained from the books of the wholesaler-fishermen, supplemented by signed statements, showing the actual comparison in costs of July, 1917, and July, 1918, these being representative periods.

Average Steam Trawler Operating Costs Among San Francisco Wholesale Fishing Companies.

| | For | |
|--|------------|------------|
| | July, 1917 | July, 1918 |
| Labor | \$1,581 43 | \$2,370 10 |
| Fuel cost and distillate..... | 805 11 | 605 65 |
| Nets, tackle and general supplies..... | 357 26 | 430 75 |
| Dockage | 37 43 | 49 01 |
| General and maintenance expense..... | 146 92 | 341 87 |
| Totals | \$2,978 15 | \$3,805 78 |

Detailed Increase in Labor Costs.

| | During | |
|------------------------------------|------------|------------|
| | July, 1917 | July, 1918 |
| Average deck fisherman salary..... | \$90 00 | \$150 00 |
| Captain | 135 00 | 185 00 |
| Engineer | 135 00 | 185 00 |
| Boss fisherman | 120 00 | 175 00 |
| Second boss fisherman..... | 80 00 | 140 00 |
| Net makers | 75 00 | 110 00 |
| Watchman | 60 00 | 100 00 |
| Utility boy | 30 00 | 40 00 |
| Mechanic | 110 00 | 150 00 |

Increase in Materials.

| | During | |
|---|------------|------------|
| | July, 1917 | July, 1918 |
| Distillate, per gallon..... | \$0.061 | \$0.10 |
| Oil, per gallon..... | .42 | .85 |
| Cotton, per pound..... | .42 | .75 |
| Rope, per pound..... | .11 | .35 |
| Repair expense, per hour (time only)..... | .60 | 1.25 |

It will be seen from the above comparison that the actual increase in cost of operation was over 60 per cent, an item to be fully reckoned

with by a price-fixing committee. So long as the prices at which they were to sell were fixed on the same margins of profit in force since the beginning of the work of the Exchange, the business was being made unprofitable by these adverse conditions.

As a matter of fact, investigation will reveal that for the months of September and August, not one of the steam trawlers paid for its operation, the daily catches being so small they were unable to make their expenses.

This situation finally crystalized in a request by all the trawling companies and by the retail dealers for an increase in the margins of profit allowed them. Hearings were held, that of the retail dealers being open to the public and full publicity was given to that fact. Only three or four consumers, however, attended.

While the demands of the wholesale dealers called for a substantial increase on all varieties, their chief request was for a 50 per cent increase in the price of large sole. This fish is most in demand, is generally in better supply than other varieties, and consequently is looked to by the dealers to bear the greater burden of expense.

I would here like to state that at all times this department has been mindful of the consumer's interest, in accordance with the requirements of the act. (Witness the fact that no increase was granted to dealers until the latter part of this year, in spite of the steadily-rising cost of operation and of trawling.) I would also like to record the fact that the wholesalers, regarded by many as chiefly responsible for high prices on fish, have not at any time during the operation of the State Fish Exchange Act made more than a reasonable profit. This statement is made on the authority of the Federal Food Administration which, in a statement from Food Commissioner Merritt, declared that its investigation of the books and records, including receipts and disbursements, of the five principal fishing companies, does not show an unreasonable profit on the fishing operations of these five companies for the six months ending April 8, 1918.

While other commodities of all nature, and particularly foodstuffs, including perishable products, have greatly advanced even during the past twelve months, the prices on fish have remained for the most part practically at the same level.

Inasmuch as the steam trawlers contributed the chief supply of fish, it was able finally to work out a revised schedule of rates on "steamer fish" that proved satisfactory to wholesalers and retailers alike and yet protected the consumer's interests.

It was also decided that other varieties of fish, in other words, the larger nonsteamer types, such as striped bass, salmon, rock cod, etc., would continue to be based on the same margins of profits and division of the consumer's dollar as heretofore. My reasons for this were based

on the fact that these varieties were larger and, for the most part, preferred by the public sliced, rather than in the whole. Consequently, in addition to the higher original cost of these kinds (they are caught by individual fishermen, each operating his own boat or launch) the dealer must also stand the expensive weight loss of head, collar, trimmings, and fins, for which he has had to pay. Therefore, the price to the consumer is already greater than on the smaller flat fish caught by the trawlers and sold almost entirely "in the round," with only the entrails removed.

Reference has already been made to the sliding scale of prices evolved in the early days of the Exchange and based upon the division of the consumer's dollar. This division (see report for the year ending 1917, page 25), it will be remembered, was as follows:

Of the consumer's dollar:

To the fisherman on some varieties 40 cents, others 50 cents;

To the wholesaler from 15 to 25 cents (according to variety);

To the retailer from 32 to 50 cents, this being determined in special cases according to kind, size, and whether loss in dressing is borne by wholesaler or by retailer.

A final analysis of the cost of operations resulted in the adoption of the general rule giving to the retailer a profit of about 8 per cent on his selling price after allowing for his selling cost; the wholesaler to receive a net profit of 5 per cent of his selling price.

Later developments have justified these percentages of profit inasmuch as it has permitted only reasonable net profits to both wholesalers and retailers. While all types of fish are more or less perishable, many of them, particularly so-called "steamer fish," are highly so, and where not disposed of quickly constitute a total loss to the dealer. In addition, one or two of the popular varieties must bear the burden of the loss on the unpopular or little-known varieties.

In the case of steamer fish the wholesaler is also the fisherman, and here the division of the consumer's dollar with the retailer is made equal.

On the latter basis therefore the scale originally determined upon for "steamer fish" started in the case of excessively large catches at 2½ cents to the wholesaler and 5 cents to the retailer—increasing with ½ cent per pound, according to the amount of the available supply for the day.

Practically all steamer fish came within this schedule. Because of the repeatedly small catch, however, the records show that the prices seldom started at a price to the wholesaler lower than 4 cents per pound, with the exception of such types as small sole (as differentiated from large sole), hake, skate, etc., all more or less bony and in little demand.

On February 25 last the State Market Director issued a ruling to the effect that sole weighing three-quarters of a pound and over would fall within the meaning of "large sole," and that weighing less than three-

quarters of a pound, "small sole." This ruling was repeated October 15, after evidence that the dealers had resumed the practice of mixing the varieties and charging the wholesale price of the higher priced type for the small sole. The second warning had a good effect.

In revising the schedule I therefore gave first thought to large sole and sand dabs and agreed upon a 25 per cent increase. Thus, when the available supply for the day had been determined by deputies of the department and under the ordinary schedule the price would have been set at 4 cents to the wholesaler, the new rate would call for 5 cents per pound. This would have made the price to the consumer 10 cents per pound, allowing for an equal division of the consumer's dollar; I found, however, that it would be possible to drop the retail price proportionately on large sole, especially with the simple expedient of increasing the margin allowed the retailer on tenderloin of sole. This type of fish, commonly called filet of sole, be it known, has been a constant "bone of contention" between the trade and the consumer and a continual source of difficulty to price fixers in their endeavor to maintain low prices on fish. Unfortunately the public prefers tenderloin of sole, that is sole cleaned, boned, skinned and sliced, even at high prices, rather than plain sole in the round at half or one-third the price; yet, at the same time the consumer often complains of the high price of tenderloin of sole, and ignores the fact that it is pure meat with no waste material whatsoever. As a matter of fact, it takes exactly three pounds of sole to make barely over one pound of tenderloin of sole ("filet"), although the retailer has had to pay for the waste material, trimmings, etc., say at the rate of 5 cents per pound. Sold "in the round" at 10 cents per pound, the retail dealer would have received 30 cents for the three pounds whereas sold as "filet" he has received only 20 cents. Yet so great is the demand in spite of educational publicity that the dealer must continue to handle tenderloin of sole at great expense, labor and waste, and at times even at a loss to himself.

It is the dealer's claim that this waste material should be charged to the consumer just as the purchaser of meat must pay for the bone, etc. It was infinitely better, therefore, to lower the price on large sole and allow an increase on tenderloin of sole in order to encourage the consumption of the former and discourage, because of its wasteful method, the use of the latter. This was satisfactory to the dealers and consequently the revision of prices was devised to include tenderloin of sole with an increase of approximately 5 cents per pound, or half the increase demanded by the retail dealers. When the base price on sole is high, to correspond with the supply, the price on the "filet" rises accordingly, and 25 cents per pound is made the limit of its quotation by this department.

curers or packers. As pointed out in my previous report, the reason for this omission was due to the fact that all license fees derived from fish canners, curers, or packers formed a considerable part of the revenue of the State Fish and Game Commission. It was deemed necessary to permit the retention of these revenues by that commission.

This exemption of price-fixing on the part of the State Fish Exchange of canners and curers has proved a very serious handicap from the beginning, since no price control on fish canners, curers or packers can now be effected without the aid of the Food Administration.

It may readily be seen, therefore, that with no license or price control on these factors it tends to divert the major portion of the salmon catch to canning or curing, since the canners could (and did) offer higher prices to the fisherman than those allowed by this department for the fresh supply. In order to obtain any appreciable quantity of salmon for the fresh markets it would, under the above conditions, have been necessary to meet the prices offered the fishermen by the uncontrolled canners or curers, thereby increasing the ultimate price to the consumer of fresh fish.

It is easily seen now, how the error of exempting the canners and curers from the regulations of the state price control might have been met by the simple method of permitting the revenue from this source to continue to accrue to the Fish and Game Commission, while at the same time the authority of the State Market Director could include *all* fish whether sold in a fresh state or for canning or curing. This provision is essential to proper price control and should be a matter for prompt and favorable action by the state legislature at this session at which time I hope to bring it to their attention.

THE MONTEREY SALMON SUPPLY.

The forerunning explanation will serve to throw light on one of the complications incident to the establishment of prices to the fishermen at Monterey on the salmon catch during the last spring and summer season.

Because of its importance and in order to show the effect upon our operations of the omission of state price control on that portion of fish diverted to canning or curing, prominence is given to a situation which, in spite of everything I could do to the contrary, threatened for a time materially to increase the retail price on salmon.

Monterey is one of the chief sources of fish supply, particularly during the salmon run, and the variety of salmon caught is one of the best in state waters; from one hundred and fifty to three hundred fishermen are engaged in Monterey salmon fishing. The Monterey salmon is in demand, both for fresh supply and for canning or curing.

Prior to the commencement of the spring run, a thorough investigation was made by the secretary to determine all conditions and also what would be a fair price to allow the fishermen for salmon entering into fresh supply channels and whether to establish one maximum price throughout the season or a variable price. During former seasons and with normal runs, the fishermen had received from 3 cents in the earlier season to 6 cents per pound later in the season. It was at the latter figure the season closed in 1917.

However, it was early recognized that, due to economic changes in the cost of living, increased cost of operation, and to the fact that many men had been drawn to other avocations and industries attracted by substantially higher returns than had formerly been earned in salmon fishing, it was necessary that some additional equivalent should be granted to the fishermen. Reports of exceedingly high wages to be earned in war industries, such as shipbuilding, etc., undoubtedly took many men away from the fishing industry and went far to reduce the supply of salmon to the consumer. This aspect assumed serious proportions. To lessen the food supply, particularly of such articles as were considered available substitutes, such as salmon, would be a blunder. It was a matter of public policy to keep the fisherman fishing.

On the other hand, it was also my desire to provide the consuming public with a large supply of fresh fish at the lowest possible prices. Here, again, I faced the problem of competing with export trade attracted by high prices offered in markets outside the state.

After a thorough investigation of the entire situation, together with conferences with all the parties in interest, at which were represented each of the fishermen's organizations as well as wholesalers, I was convinced that a higher price to the fishermen than paid last year could be allowed and at the same time a reasonably low retail price could be named. It was practically decided to establish a price of some 8 cents per pound for salmon to the fishermen.

At this time, however, knowing that the authority of the state did not extend to the supply of salmon going into the hands of the curers or canners, the Federal Food Administration saw the necessity of controlling this element and immediately took up the problem. Under the federal regulations the canners and curers were all perforce licensed and in this way the matter of price control by the government was simplified.

While I had been assured by the Federal Food Commissioner Mr. Ralph P. Merritt, that it was not the intention of his department in any way to assume the control of the fishing industry or to interfere with the state's established machinery of price fixing, I welcomed his taking a hand in the salmon price problem, as only in this way would

STATE FISH EXCHANGE.

... under control. My views as to the necessity of ... price to the fishermen were evidently held by Mr. ... hearing, at Monterey, April 13, attended by Sec- ... of this department, and interested fishermen, as ... representatives of the wholesale houses, resulted in an ... by the Federal Food Commission allowing the fishermen ... of 9½ cents per pound, with the provision that in case ... established a maximum price on salmon entering into fresh ... lower than 9½ cents per pound, then and in that event the ... be permitted to pay as much over 9½ cents a pound for ... to be canned or cured as would insure an average of 9½ ... pound for the entire catch. This provision was based on the ... as a general rule, salmon below eighteen pounds in weight ... adapted to mild curing or canning, and hence were used for ... consumption. Salmon above that weight found their way into ... or canning trade. The records indicated that in former ... catch was of such nature as to make such division to fresh ... and for mild curing or canning about equal.

... the average of 9½ cents per pound to the fishermen meant ... exactly an increase of about 70 per cent over the price received ... fisherman the preceding year, allowing for a normal catch. It ... an abnormal price to the consumer for salmon in the fresh ... unless I was prepared to set a price to the fisherman some- ... lower on the salmon entering into fresh consumption. Only in ... way could a reasonably fair price to the consumer be insured.

... this ruling of the Federal Food Commission as being ... in ... of the consumer, I determined that it would be possi- ... to fix a retail price of 20 cents per pound to ... the ... in San Francisco and neighboring bay cities. In this way ... the ... were served, the maintenance of the 9½ cents average, ... and ... an increase to the fishermen and the establishment of a ma- ... price substantially as low as in the preceding year.

... better to illustrate the problems involved in the fixing ... of ... to all concerned and at the same time to make as low a price ... as ... to the consumer, a schedule is submitted, showing the cost ... of ... operation in producing and marketing salmon.

... decided that a maximum retail price of 20 cents per pou- ... and ... could be worked out, and with due regard for ... the ... or curers could afford to pay for their portion, I star- ... ed ... maximum price of 7½ cents per pound to the fisher- ... an ... such salmon as entered into fresh consumption channels ... g schedules on practically all varieties of the larger fish ... must be made for weight loss due to shrinkage, clean-

ing or wastage of head, tail and trimmings, all of which must be credited to the particular factor, either wholesaler or retailer who bears the loss. Thus, it will be seen in the following schedule that close to 12½ per cent of his cost has been allowed the wholesaler for the partial cleaning or removal of entrails. In the case of the retailer, who must sell his salmon sliced, a further percentage of 12½ per cent of cost has been allowed to cover weight for loss of head, tail and fins, for all of which there is no sale. These percentages have been worked out after many experiments, but refer only to Monterey salmon. In the case of salmon from other districts the percentage of loss varies considerably.

In determining the final margins of profit, however, it was decided to scale down the profits to the wholesaler and retailer fully 10 per cent below the average margin of profit allowed in order that the price to the consumer should not exceed 20 cents per pound. This reduction was deemed possible in view of the fact that salmon, being a staple article for which there is at all times a steady demand, the volume of sales would justify a lower profit rate to the dealer. Following is the double schedule showing the original figures as well as the 10 per cent reductions in profit rate:

| Margins of Profit Allowed on Monterey Salmon Supply. | | Schedule rates |
|--|--|----------------|
| Price to fisherman, per 100 pounds..... | | \$7 50 |
| Boxing, icing and express..... | | 1 50 |
| F. O. B. San Francisco..... | | \$9 00 |
| Loss to wholesaler in entrails, approximately 11 per cent on cost..... | | 1 00 |
| Net cost to wholesaler..... | | \$10 00 |
| Wholesaler's cost of selling, overhead, etc., 20 per cent on selling price..... | | 2 00 |
| Wholesaler's net profit, 5 per cent on selling price..... | | 67 |
| Wholesale price..... | | \$13 33 |
| Loss to retailer, head, tail and fins, equivalent to about 12½ per cent of cost..... | | 1 67 |
| Net cost to retailer..... | | \$15 00 |
| Cost to retailer for selling, deliveries, etc., 25 per cent on selling price..... | | 5 63 |
| Net profit to retailer—8½ per cent on selling price..... | | 1 87 |
| Retail price..... | | \$22 50 |

| Reduced Selling Prices as Established. | | |
|--|------------------|---------------|
| | Less 10 per cent | Selling price |
| Wholesale price as above, \$13.33..... | \$12 00 | 12½¢ per lb. |
| Retail price as above, \$22.50..... | 20 25 | 20¢ per lb. |

Consumers who have complained of the retail price of salmon and laid it to margins of profit to dealers allowed by this department, will

see from the above schedule that their complaint has been unfounded, in that the dealers have been allowed even less profit than they are entitled to under normal conditions. The retail price of 20 cents per pound was maintained throughout the greater part of the Monterey salmon season, practically at the expense of the dealers, in order that the public might have the benefit of salmon at as low a price possible.

Rather than reduce the profit rates to dealers, why was not the maximum price to the fishermen for fresh salmon fixed at 7 cents or lower instead of $7\frac{1}{2}$ cents, in view of the fact that large salmon sold for mild curing or canning would bring higher prices so as to make the average $9\frac{1}{2}$ cents to the fisherman, as ruled by the Federal Food Administration? This question might well have been asked by the dealers.

In order to maintain an average of $9\frac{1}{2}$ cents with a maximum of $7\frac{1}{2}$ cents per pound to fishermen for fresh supply salmon, the cannerys were permitted to pay not over $11\frac{1}{2}$ cents per pound for that salmon entering into other than fresh marketing channels. This was the highest known price for any season's take. At that early date it was not yet determined if market conditions would permit the wholesalers, packers or curers a reasonable profit on their pack after paying that price.

It is indeed fortunate that the federal government has seen fit to assume absolute license control of canning or curing factors, since otherwise an impossible situation would have been created and will still arise when at some future date the federal authorities relinquish control, should the legislature meanwhile have failed to give to this department the power to fix prices on all fish in the state regardless of its source or its destination.

In the middle of what has generally proved a long and heavy salmon season with plenty of salmon for the fresh markets, it was soon discovered that barely any salmon was coming into fresh supply channels while the majority of the catch was being diverted to canning or curing.

An investigation developed the fact that the wiley fisherman had discovered a way of "beating the game" by catching only salmon weighing eighteen pounds or over—the size best adapted to mild curing. Thus he received, not an average maximum of $9\frac{1}{2}$ cents, but the price of $11\frac{1}{2}$ cents on practically his entire catch.

On this showing I was able to obtain from Food Commissioner Merritt a modified ruling directing that the catch, regardless of the size of the fish, should be equally divided between cannerys and fresh fish dealers. In addition to this, and on the ground that the season was nearing its close and the catch was due to fall off, he issued the proviso that should

the State Fish Exchange find that an insufficient supply was coming into fresh consumption, it was empowered to require from the dealers such increased proportion of the catch as would supply the demands of the fresh fish market.

This proved effective up to the close of the salmon season at Monterey. Unfortunately, the season's catch fell below normal. Due to this, and to the efforts of the fishermen to catch only for the higher rates obtainable from packers, the supply of fresh salmon to the consumer proved intermittent and far less than the demand. At times many markets were bare of salmon, despite all efforts to provide them with this popular variety of fish.

FORT BRAGG SALMON SEASON.

At Fort Bragg, on the coast of Mendocino, the situation is somewhat similar to that at Monterey, with the exception that the catch is confined almost entirely to salmon.

Prior to the opening of the season in June, Deputy Quarataro, of this department, was sent to that point to ascertain by personal investigation the exact conditions and the cost involved in procuring and landing the fish and also the cost of transshipping, handling, wastage, and marketing, so that this department would be fully prepared to establish fair prices for Fort Bragg salmon.

While the state price to the fishermen at Monterey was placed at 7½ cents a pound, it was decided after all the facts were in hand, to allow the fishermen at Fort Bragg a slightly higher rate, owing to the greater cost of production. A maximum of 8 cents per pound for salmon entering into fresh consumption was therefore announced.

Here, again, some confusion existed for a time among the fishermen due to the fact that certain packers offered still higher prices for practically all the Fort Bragg salmon, although the fishermen were under contract with certain wholesale houses in San Francisco to supply the latter with a certain portion of the daily salmon catch. As a result the fishermen refused to sell to the San Francisco dealers at the lower rate set by the state. On June 23, however, Food Commissioner Merritt again ruled that 9½ cents should be the maximum price paid the fishermen for all salmon and that the packers would come within the jurisdiction of the federal government and the wholesale houses within the state authority. Arrangements were accordingly made by the representatives of the wholesale houses to obtain their share of salmon at the state price and the situation was clarified.

Following is the schedule showing the actual cost and margins of profit allowed in placing this salmon on local markets:

Margins of Profit Allowed on Fort Bragg Salmon.

| | Schedule rates | Rates finally established |
|--|----------------|--|
| Price to fisherman per 100 pounds..... | \$8 00 | \$9 00 (Fisherman |
| Cost of maintaining tender..... | 50 | 50 |
| Loss and cost due to entrailing, approximately 12½% of cost..... | 1 00 | 1 00 8¢ per lb.) |
| Haul to Fort Bragg station..... | 25 | 25 |
| Iceing, boxing and express..... | 1 75 | 1 75 |
| F. O. B. San Francisco..... | \$11 50 | \$11 50 |
| Wholesaler's cost of selling, 20% on selling price.... | 3 07 | Cut to 14%---- 2 00 |
| Wholesaler's net profit, 5% on selling price..... | 76 | Cut to 3½%---- 50 |
| Wholesale price | \$15 33 | \$14 00 (Wholesaler price 14¢ per lb.) |
| 15% loss to retailer on head, tail and fins, equivalent to 17½% on cost..... | 2 67 | 15% loss to retailer or 17½% on cost ---- 2 40 |
| Net cost to retailer..... | \$18 00 | \$16 40 |
| Retailer's cost of selling, 20% on selling price..... | 6 75 | Cut to 20¼%---- 4 58 |
| Retailer's net profit, 8½% on selling price..... | 2 25 | Cut to 6½%---- 1 52 |
| Retail price would be..... | \$27 00 | Retail price per 100 lbs. ---- \$22 50 (or 22½¢ per lb.) |

NOTE. -While here the wholesaler was allowed a smaller margin than he was reasonably entitled to under pre-established schedules, his full profit was made up in the high prices he obtained for the mild cured product. Only a slight cut in the retailers' margin could be effected in this case as the run of salmon at this period was not as large as at other points.

SACRAMENTO RIVER SALMON SUPPLY.

Due to the absence of the two-price method, one for salmon for fresh consumption, and a higher price for canning or curing supply, by which an average to the fisherman is obtained, the Sacramento River as a source of supply stood out prominently for its lack of friction during the summer season of 1918.

The Sacramento River forms one of the chief sources of supply, producing a great tonnage of salmon during the spring season and the open period from August 1 to September 24, inclusive, in addition to many other varieties (though in far smaller quantities than salmon), while the winter and spring seasons add materially to the state's supply of fish.

A different and more expensive method of fishing is followed here than at the other main sources.

Here many factors not found elsewhere had to be considered in the effort to maintain as reasonable a price as possible to the consumer. There were three principal "thorns" in the side of economy however, to which especial reference should be made.

First, the initial expenses of the Sacramento River fishermen are greater, due to different methods of fishing. Where the initial outlay of the fisher at Monterey, using a drop hook and line, is small, aside

from his boat investment, the commercial fisherman on the Sacramento River must use a net valued at from \$800 to \$1,500. In addition, he is at continual expenditure, for either the partial or total loss of his net, owing to snags in the river, boats interfering, and other natural causes, thus bringing his maintenance burden to a far higher figure than that of the fisherman at the other sources.

Second, the fishing grounds are not limited to one spot or to one circle but cover many miles up and down the river, with varying conditions, and with many landing points, instead of one central landing place.

Third, the commission man or broker, through whom most of the large San Francisco wholesale houses have this year dealt. This commission man receives 1 cent per pound commission on all the fish handled by him. He performs the service of gathering the fish from the fisherman, who is thus saved a long trip and the loss of his time from the fishing grounds. The commission man also weighs and distributes the fish, according to instructions from the wholesale house, attending as well to all shipping details.

Because of the heavier expense under which he operates, the fisherman on the Sacramento River, as a rule, has received a higher price than at Monterey for the salmon for fish markets. The catch during the spring season is far less than in the summer and consists principally of shad and striped bass. In addition to this the fisherman is permitted to fish here for only eight months, there being two closed seasons of two months each—during the major part of these closed seasons he must spend his time repairing and overhauling his nets. This is a period of small income, his principal earnings depending on the summer salmon run.

Although delegates of fishermen called upon me in an effort to obtain a fixed price throughout the summer season of 10 cents per pound or some 30 per cent to 40 per cent more than the same season of 1917, I finally decided upon a maximum of 9 cents per pound as the opening price, subject to changes in accordance with the catch. As it turned out, the catch proved to be abnormal and from a maximum of 9 cents we were able to drop the price to 8 cents and then to 7 cents. For the last week of the season, the price remained at 8 cents per pound.

No action was taken by the Federal Food Administration at this time and during the entire season no question of a higher price on the salmon for canning or curing was raised, although in former seasons the river fisherman has received a higher rate on salmon than has the Monterey Bay fisherman.

As a matter of fact, the catch on the River for the season of August 1 to September 24, proved to be the largest in the history of the district, and as a consequence, we were able to drop the price of salmon

from 22½ cents per pound to the consumer, to 18 cents and 20 cents, the lowest for some time. While the major portion of this was canned or mild cured, the consumer was able to receive the benefit to a great extent of this bountiful supply for a short period, and at reasonable prices.

As to the fourth factor in the scheme of distribution of Sacramento River Salmon, the commission man, through whom many of the wholesale houses purchase their supply, paying as much as 1 cent per pound commission, it has been contended that he is unnecessary and that he performs a service that can be done by the wholesale houses themselves.

During former seasons the commission man has flourished uncontrolled and because of this fact, he has, at times, been the cause of excessive prices to the consumer. By the simple method of outbidding his competitor by a fraction in order to obtain the greater portion of fish, prices to the fishermen were continually boosted above normal. As an instance there is cited the season of 1917 when the price started at 6 cents to the fisherman and in one month rose to 15 cents. Thus, a burden of many thousands of dollars was thrust upon the unwilling shoulders of consumers.

One of the prime remedies for this evil was found, therefore, in the creation of this department which fixes definite margins of profit between fisherman and wholesaler, wholesaler and retailer. In the announcement of marginal profit rates on the Sacramento River, I made no provision for the commission agent. In this way, where wholesalers wished to deal through this medium, they were forced to split their profits. While a few commission men or "buyers" continued to operate and in some cases received their full 1 cent per pound commission, the burden was either shared by the wholesaler whose profits were thus reduced, or borne by the fishermen. (Prices established by this department are maximum and fishermen or dealers are free to sell at lower prices, as frequently happens where there proves to be an oversupply.) Efforts are now being made to find a way to enable the wholesalers to adopt a different method of obtaining their salmon supply from the river districts by handling this operation through salaried employees instead of through commission men, thereby materially reducing costs.

It is not the purpose of this department to eliminate any factor whose services are necessary to the proper distribution of the supply. On the Sacramento and San Joaquin rivers, however, it is estimated that in the past the consumer has paid dearly for the service of the commission man, not only in the commission of 1 cent per pound (which would have been far less had he been on a salary basis), but in the needless boosting of prices that had finally to be borne by the ultimate consumer.

Margins of Profit Allowed on Sacramento River Salmon.

| | Schedule rates | Rates finally established |
|--|----------------|---|
| Price to fisherman per 100 pounds..... | \$9 00 | \$9 00 (Fisherman 9¢ per lb.) |
| Iceing and boxing..... | 1 00 | 1 00 |
| Express to San Francisco..... | 50 | 50 |
| F. O. B. San Francisco..... | \$10 50 | \$10 50 |
| 18% loss to wholesalers on entrails, equivalent to 21% on his cost..... | 2 25 | 2 25 |
| Net cost to wholesaler..... | \$12 75 | \$12 75 |
| Selling cost at regular margin, 30%..... | 3 40 | Cut to 24%---- 1 25 |
| Net profit at regular margin, 5%..... | 85 | Net profit, none ---- |
| Wholesale price would have been..... | \$17 00 | Wholesale price \$14 00 (Wholesale price 14¢ per lb.) |
| 30% loss to retailer on head, tail, and fins, equivalent to 25% on his cost..... | 4 25 | 3 50 |
| Net cost to retailer after loss of head, tail, fins..... | \$21 25 | \$17 50 |
| Regular margin for selling cost, 25% on his selling price..... | 7 97 | Cut to 16%---- 3 75 |
| Regular retailer's net profit, 84% on selling price..... | 2 65 | Cut to 54%---- 1 25 |
| Retail price would have been..... | \$31 87 | Retail price was \$22 50 (Retail price 22½¢ per lb.) |

Note.—Owing to the fact that no price control could be exercised over the salmon that was mild cured (canned or cured fish do not come within the controlling jurisdiction of the State Market Director) large profits were realized by the wholesale dealers from this source. As a result by far the major portion of the Sacramento River salmon supply was put into barrels. It was for this reason the wholesalers' margin of profit on Sacramento River salmon for fresh supply was materially reduced, being made up on mild cured salmon. Had this not been taken into consideration in fixing prices in this case, this salmon would have been higher than 30 cents per pound retail, as is indicated above. As the retailer was doing a larger business on salmon during this run than any other type of fish, his increased volume of sales were considered sufficient to warrant a slight reduction in his case, as well as that of the wholesaler, thus effecting a price of 22½ cents per pound to the consumer, and lower in proportion at certain periods.

THE EEL RIVER SUPPLY.

Somewhat different is the case of the salmon supply from the Eel River (in Mendocino County). Not only is the initial cost of catching the salmon far less than at other sources, but the salmon, especially during the fore part of the season, which lasts for some two months, is of poorer quality and unfit for canning or curing until late in the season. For this reason the fishermen have not enjoyed as high prices for their fish as elsewhere. As the fish are sluggish and lazy, easily caught in boats of comparative minor cost and with no expense of any consequence for nets, this may be said to be fair.

Here the expense of the commission man is, however, very necessary. The fishing waters are within a fairly small radius, the grounds adjacent for many miles being owned and controlled by one firm which for several years has been the sole commission house on the scene. This firm, however, provides a wider and more important service than do the commission men on the Sacramento River districts, by supplying the

fishing boats, keeping them in repair, maintaining huts for the fishermen at the "camps," of which there are two, and in performing the work of transshipping from the camps at the river to the railroad, a haul of some five miles. In addition, there is the matter of boxing and handling, and maintaining a plant or storehouse. On the whole, their investment amounts to many thousands of dollars. It would be impossible for the wholesalers to establish their own buying plants in this district without a considerable duplication of outlay on the part of each house, aside from the fact that permission would first have to be obtained from the controlling firm for the only available site. This has never been obtainable.

In 1917 the total catch on the Eel River as recorded in state statistics amounted to some 818,000 pounds, having a total value landed of about \$50,000 or an average price of approximately 5 cents per pound.

Although the season opened in 1917 at 4 cents per pound to the fisherman, it rose during the last week of the season to some 7 cents per pound. Through the investigations made by a deputy, the exact conditions were ascertained and while the fishermen were clamoring for a fixed price for the season of 8 cents, the price finally fixed by this department was 5 cents per pound for the opening week, which generally brings with it a heavy run, because of accumulations. The price was increased the second week to 6 cents. From 187,000 pounds the opening day, the catch fell off to less than 5,000 pounds by the end of the week, with one hundred and fifty men fishing. By the following week the average catch per day was less than 3,000 pounds, justifying the increase of 1 cent per pound. While at first glance the fact that the salmon retailed at 25 cents per pound may seem exorbitant, a review of the various items of cost and wastage will be illuminating and reveal the fact that even at that price but little actual profit was realized by the various factors.

Margins of Profit Allowed on Eel River Salmon.

| | Schedule rates | Rate finally established |
|--|----------------|--|
| Price to fisherman per 100 pounds..... | \$6 00 | \$6 00 (Fisherman 6¢ per lb.) |
| Commission to buyer..... | 1 50 | 1 50 |
| Cost of haul—price to Lokta..... | 1 00 | 1 00 |
| Express to San Francisco..... | 1 50 | 1 50 |
| P. O. B. San Francisco..... | \$10 00 | \$10 00 |
| 25% loss on entrails to wholesaler, equivalent to 33% of his cost..... | 3 33 | 3 33 |
| Net cost to wholesaler..... | \$13 33 | \$13 33 |
| Selling cost, 20% on selling price..... | 3 55 | Cut to 134¢... 2 14 |
| Net profit, 5% on selling price..... | 69 | Cut to 34¢... 53 |
| Wholesaler's price would be..... | \$17 77 | Wholesaler's price was ... \$16 00 (Wholesale price 16¢ per lb.) |
| 20% loss to retailer, head, tail, and fins, equivalent to 25% on his cost..... | 4 45 | 4 00 |
| Cost to retailer, after loss of head, tail and fins..... | \$22 22 | \$20 00 |
| Retail selling cost, 25% on selling price..... | 5 59 | Cut to 157¢... 3 75 |
| Retail net profit, 8% on selling price..... | 2 52 | Cut to 57¢... 1 25 |
| Retail price would be..... | \$33 33 | \$25 00 (Retail price 25¢ per lb.) |

NOTE.—It was decided when the Fish Exchange was first established, to allow the wholesaler 33 per cent gross profit on his cost, or 25 per cent on his selling price, and the retailer 50 per cent of his cost, or 33 per cent on his selling price. As it costs the wholesaler on an average 20 per cent on his sales to do business, this would leave a net profit of 5 per cent on his sales, and as it costs the retailer on an average 25 per cent on his sales to do business, this would leave him a net profit of 8 per cent on his sales. These moderate margins of profit, however, were deliberately cut in order to insure the consumer salmon at a price not to exceed 25 cents per pound. Ordinarily, the dealers would have a just grievance against cutting their legitimate profits, because if all their fish were sold on these reduced margins of profit they would be driven out of business. In order, however, to equalize matters, the wholesalers used part of their salmon catch for curing, on which a larger margin of profit was possible, and a larger margin of profit was allowed retail dealers on imported fresh salmon which could be landed here cheaper than the Eel River fish. The supply from each source this season as a rule was below normal. The joint supply, however, came more nearly filling the demand.

FRESH FISH SITUATION IN SOUTHERN CALIFORNIA.

In presenting a constructive analysis of the fresh fish situation in southern California it is necessary first to explain that conditions here are entirely different from those prevailing in and about San Francisco.

In the latter district the "Trawlers" which provide the principal supply, are owned and operated by a few wholesale dealers. The fishermen work on a basis of daily wages and the fish belong to the wholesalers, who sell direct to the retail dealers, thus removing the consumer but one factor from the first owner. By this practice the fishermen are not concerned with the problems of marketing and the daily "catches" are not only concentrated but the total supply is a known quantity upon which to establish consumers' prices based on supply and demand.

In southern California we have nearly five thousand fishermen—mostly foreign-speaking races—who work on the "share" basis on about two thousand boats of various sizes and equipment. Nearly all of these boats are owned by fishermen, although many are financed by the fish canning concerns who contract the "catches" of tuna and albacore (when running in these waters) and limited quantities of other fish suitable for canning purposes.

The San Diego wholesalers contract with some boats to bring fish from Mexico and a few boats are owned by fresh fish dealers, but in all cases the fish belong to the fishermen. This apparently open condition of supply has brought into existence factors known as "wharf dealers" and "buyers," of whom there are now twenty-seven established firms in the territory from Santa Barbara to San Diego inclusive. In addition there are about a dozen more or less active buyers for "Los Angeles Retail Chain Stores" and wholesale fish dealers in northern California and Washington Territory and New Mexico; also numerous peddlers who buy from both fishermen and wharf dealers and resell to consumers and retailers.

The Supply.

(a) *Its diversified sources.* The Mexican waters provide the dependable supply during the entire year, but there are relatively few boats of sufficient size and adequate equipment for these long trips. In the local waters, between Santa Barbara and San Diego, several varieties of fish are fairly plentiful at irregular intervals between the months of May and October each year. They are occasionally caught in such large quantities, however, as to create surplus "catches" that sometimes can not under existing conditions be marketed as fresh fish. On these occasions the fishermen receive so little for their quantity "catches" that they are not justly compensated for the long lean seasons of short

supply. It is a particularly notable and deplorable fact that both our consumers and producers lose or fail to receive the benefits from the periodical runs of edible fish in our home waters. Both in June and August of 1918 striking illustrations of this occurred. During the latter month there were several runs of barracuda and sea bass causing a drop in the price of barracuda from 7 cents to 2 cents and from $6\frac{1}{2}$ cents to 2 cents for sea bass. Some of the barracuda surplus could not be sold as fresh fish and brought 1 cent per pound for making into fish cake—a food eaten by the Japanese. The sea bass situation was stabilized by inducing one of the canners who has the only freezing plant at San Pedro Harbor to enter the buying market and put about 40,000 pounds into cold storage. Two carloads, or about another 40,000 pounds was shipped to Denver. The fish that went into cold storage cost an average of $3\frac{1}{2}$ cents per pound, and that which was shipped to Denver cost $2\frac{1}{2}$ cents. The Denver dealers paid $4\frac{1}{2}$ cents per pound f.o.b. San Pedro. The investigation made of Los Angeles retail prices during the periods that these surpluses occurred, show that the consumers prices averaged 12 cents per pound in some of the large retail stalls, and 18 cents at the markets of the small dealers. The large cafeterias and hotels paid as low as 6 cents per pound but did *not reduce* the cost of an “order” of fish.

(b) *The varying costs for catching.* Boats making the trips from San Diego of 400 miles or more into Mexico exact guarantees of fixed amounts from the wharf dealers. At present this class of fishermen are guaranteed $5\frac{1}{2}$ cents for barracuda, 6 cents for halibut and $3\frac{1}{2}$ cents for rock cod. The dealers also pay the duties and clearance charges made by the Mexican government, which estimated on the basis of an average catch, are 2 cents per pound. The above guaranteed prices to the fishermen and the duties, etc., are for fish in the “round” weight, or before being cleaned. The removal of heads and entrails from barracuda and halibut causes a loss of 30 per cent weight shrinkage, and from rock cod 40 per cent. Thus these three principal varieties have a first cost to the wharf dealer if he does the cleaning of $10\frac{3}{4}$ cents for barracuda, $11\frac{1}{2}$ cents for halibut and $9\frac{1}{4}$ cents for rock cod. These costs are definitely fixed, and may change from year to year as the fishermen, owing to the increased cost of nets, boats, gasoline, ice, other equipment and living, are able to make better arrangements with the wharf dealers. This Mexican supply is relied on and during the winter months is the principal quantity in our markets. Local fishermen of San Pedro, as shown by the recorded prices during the month of August, 1918, averaged for the varieties mentioned above $4\frac{1}{2}$ cents for barracuda, $7\frac{1}{2}$ cents for halibut and 3 cents for rock cod. Differences in cost to the different

wharf dealers similar to these are constantly occurring during the summer months. Of the seven principal wharf dealers at San Diego four are branches of the Los Angeles wholesalers, who also have branches at San Pedro where there are in all fourteen wharf dealers. Therefore, it is apparent that the three San Diego dealers who have no San Pedro connections always have to pay and charge on the basis of their fixed cost for fish from Mexico, the other four, who have San Pedro connections, when fish are plentiful at both ports, could average their high cost fish at San Diego with their lower cost at San Pedro; except that the ten other dealers and the fish buyers and peddlers at the latter place have only the low cost fish. What actually occurs is that the ten other dealers, etc., having limited and uncertain local outlets, do not supply southern California with greatly increased quantities of fish when, because of the sudden surpluses, it becomes cheap. Owing to it being impossible for them to maintain distribution and delivering connections for emergency purposes only, they can but slightly increase local sales. They do sell whatever quantities they can by wire to wholesale dealers in northern California and in the states north, and east of California. This is also true of wharf dealers who have the San Diego connections. Their purpose, however, is to remove all the cheap fish from our vicinity as quickly as possible so that their Los Angeles houses can market their higher cost San Diego fish.

In discussing the cost of fish it is necessary to consider the actual cost to the producer. The principal items entering into the fishermen's cost are living, first cost of boats and equipment, depreciation, extraordinary wear and tear, interest, and expenses, such as gasoline and ice. Accurate estimates of the actual cost for most of these items vary according to whether the owner of the boat buys from manufacturers, jobbers or retailer. Except for the hulls of the boats, most fishermen buy all of the foregoing articles from jobbers and retailers, and more from retailers than from jobbers. The most careful estimates show that since 1914 the various items that a fisherman buys for his boat and equipment average an increase on the different articles of from 70 per cent to 200 per cent. The principal articles are twine, lead and rope for nets; hooks, and lead used for sinker; paint, oil and varnish; cooking utensils; stores, such as food and drink for feeding the crews; twine for hand lines; lubricants and many other minor articles.

It is estimated that \$1,250,000 is invested in first mortgages on fishing boats in this vicinity, and as the interest costs are figured on principal sums which are based on the present day cost of the boats and equipment, the increased interest charge is in the same proportion as the increased cost of the boats, etc.

One of the big maintenance items is the depreciation and extraordinary wear and tear on nets. A large "purse seine" net which cost from \$1,800 to \$2,200 in prewar times now costs \$4,500 to \$5,200. The life of one of these nets in continual service is four months.

The Federal Fish Administrator for southern California has compiled extensive data showing the different costs of fishing with the different types of boats and equipment, and based on the fishing grounds at different distances from home ports. The costs widely vary because of the great variety of methods and paraphernalia used. The net result of their figuring showed wide variations in the proportions of catches to costs. So great were the differences that the only figures that were at all conclusive showed that San Diego fishermen, when fishing in Mexican waters, could operate profitably on the following basis:

Halibut, 6 cents in the round.

Sea bass and barracuda, $5\frac{1}{2}$ cents in the round.

Mackerel, 3 cents in the round.

In prewar times the Mexican fish were controlled by Aurelio Sandoval and the price was 2 cents for the fish and 2 cents for Mr. Sandoval's total charge, 1 cent of which he turned over to his government.

Marketing.

In addition to the 27 wharf dealers in southern California, we have 38 wholesalers, 32 exclusive retailers, 292 side-line dealers and 43 peddlers. Los Angeles had ten wholesalers, seven of whom have extensive delivery systems. Four of these wholesale dealers have branch houses at both San Pedro and San Diego, the balance of them buy from other wharf dealers and fishermen at different points along the coast, also from peddlers who bring fish over the road from San Pedro. Some of the peddlers sell to retailers, restaurants, etc. A portion of the supply of many of the wholesalers is consigned fish sent from different beach points by the fishermen.

The distributing function of these dealers is not organized on any economical basis. Occasionally five or six of them form a protective alliance when any formidable competition arises, such as the establishment of municipal fish markets sponsored by the city in the summer of 1916, the formation of the Fishermen's Fish Company, a co-operative fish selling organization of the same year, and later when the Los Angeles County Council of Defense instituted the Liberty fish movement. Prior to 1914 these principal wholesalers made money in the conduct of their business, but since that period and particularly in 1917 and 1918 they have barely made expenses. Organization on their part has never taken the form of scientific routing so that the rolling stock

of all would reach the widest territory. Six automobile delivery trucks, each belonging to a different dealer, may be seen any Thursday morning delivering fish to retailers within a mile of each other on the same street. On one occasion recently five different trucks were passed on Hollywood boulevard between Cahuenga Pass and the center of the city, eight miles distant. These firms have not increased their rolling stock since 1914 and while the city has many more congested localities and retail stores, the present system of delivering from the wholesaler makes it impossible for many of the added retailers to receive fish. All of these wholesalers seek only to deliver to large customers on popular thoroughfares.

Early in 1918, an effort was made to interest these dealers in zoning the city into delivery districts, but the trade rivalry among them prevented favorable action. Present storing, rehandling and delivering facilities of these wholesalers are sufficient, if properly coordinated, to distribute to the entire main part of the city not only the normal supply, but any surplus when it occurs. At present there is no wide distribution, as there is but little increase in sales during times of plenty in the stores of the retailers supplied by these wholesalers. The wholesalers using their facilities for delivery in this competitive way—all of them to dealers in the same locality—are not in a position to spread out in the emergency period of surpluses.

Can Municipal Markets be Made a Success in Los Angeles?

The fresh fish industry in southern California is acknowledged by all who have any connection with it to be a stagnant enterprise. Hope is the only element keeping it alive. For the purpose of assisting in deciding as to what state function, if any, could relieve this situation, we are brought back to the first question—"Can municipal markets be made a success in Los Angeles?"

Quoting the following from the official report of the Municipal League of Los Angeles it is evident that the consumer has not benefited. It further appears that the peddlers and producers only derived the benefits for which the people are taxed. As both of these factors sold their own product in the municipal market, it is evident that owing to the physical impossibility on the part of the fishermen to be both fishing and bringing the fish from San Pedro, Santa Barbara and San Diego to a Los Angeles market and peddling it, that the fishermen received none of the benefits referred to here as accruing to the producer. The so-called municipal fish markets established in Los Angeles in 1916 have ceased to exist owing to their inability to control the sources of supply,

and also due to the fact that fish were largely sold in an uncleaned condition to the consumers, whose enthusiasm for buying fish, apparently cheaper in the round, somewhat waned when confronted with the continuous performance and the mess created by cleaning the fish in their kitchens.

**REPORT TO THE EXECUTIVE COMMITTEE OF THE MUNICIPAL LEAGUE
OF MARCH 1, 1918.**

"Municipal markets since their organization and until November, 1917 (a period of approximately five years), have cost the citizens of Los Angeles \$10,772.12 over and above all revenues therefrom. Salaries in the Municipal Markets' Department amount to \$5,535 a year.

"To ascertain to what extent this unfavorable balance is being offset by public benefits in the shape of lower prices for foodstuffs, prices were compared at the municipal markets on Thursday (January 31) with prices at private markets. For comparison three of the principal municipal markets were taken, one at Forty-eighth and Vermont, at Fourth and Breed (Boyle Heights), and at Cahuenga and Selma, Hollywood. Prices on over twenty articles of food were considered. With the municipal market at Forty-eighth and Vermont were compared private markets at Thirty-fifth and Vermont, 4716 South Normandie, and 4211 South Vermont. With the municipal market at Fourth and Breed were compared the private markets, one near First and State streets (7 blocks distant), and one near First and Gless streets (about 10 blocks away). With the municipal market at Cahuenga and Selma were compared private markets at 6382 Hollywood boulevard and at Cahuenga and Sunset. Prices appear to run very close at all the markets, especially on potatoes, apples, cabbage, corn, onions, celery and oranges. Prices at the private markets run slightly higher on turnips, carrots, lemons. On fish, particularly at the municipal market at Forty-eighth and Vermont, prices were considerably lower than elsewhere.

"Mr. Britt, superintendent of the municipal markets, furnished us a list of the 66 vendors at the municipal markets whom he knew to be actual producers. He also informed us that on January 26, 1918 (Saturday), there were all told at the five municipal markets 117 vendors. If 66 or 56 per cent are producers, then of the 117, 51 or 44 per cent must be nonproducers or peddlers.

"Deductions from the data secured: First—The impression abroad that at our municipal markets, as conducted, the consumer comes in contact first hand with the producer, thereby eliminating the middleman's profit, is not borne out by the actual facts as discovered in our investigation, since

- (a) Over 40 per cent of the vendors are not themselves producers;
- (b) Prices at our municipal markets are not to any appreciable extent lower to the consumer, except in the item of fish at the municipal market, Forty-eighth street and Vermont avenue.

"Second—The persons receiving the principal benefit from the \$16,773 which the municipal markets cost the city during the last five-year period would appear to be the 51 peddlers and the 66 actual producers, not residents of the city, in cheap stall rent (25 cents a day).

"General conclusion. To tax the whole city for the benefit of a few does not harmonize with modern ideas of democracy. If the municipal markets are to be continued they should at least be conducted in such a way as to be self-supporting."

A condition similar to the following at Long Beach, where the fishermen themselves during two hours each day, from 3 to 5 p.m., deal directly with the consumer, can not successfully be duplicated at points of consumption any distance from the ocean. At the stall at Long Beach which

is devoted to selling fish sliced to the consumer, there is an apparent success attributed to its activities, inasmuch as the city of Long Beach buys fish at a reasonable price from the fishermen and sells it at a figure which assures its marketing, in addition to stabilizing and reducing the price of fish in the local retail stores so that consumers generally benefit. Customers at this Long Beach municipal fish market are recognized by the city manager to be a type of transient residents from middle western states where fresh fish is not always available. Furthermore, the exceptional location on the municipal pier where thousands go daily, is regarded as an additional sales factor. This case of success of a municipal fish market is more because of peculiarly favorable circumstances, and is an argument against rather than for municipal markets.

The Long Beach Municipal Market, Fish Department.

This market started April 1, 1918. Receipts for the first six months were \$7,066.40. The net profit for that period was \$822.34. The investment from the municipal market fund was \$2,000, representing ice chests, counters, scales, etc. In making their report the commissioner of the department has shown no depreciation on this equipment purchased, nor interest charged for the \$2,000. However, it is explained that the depreciation should not be charged as it is more than offset by certain purchases not included in the original investment but which were entered on their books under "expense items."

This municipal market has two locations on the municipal pier: one devoted to selling fish sliced and cleaned to the consumer; the other where the fishermen during two hours each day sell their own wares directly to the customer.

The city of Long Beach gives wide publicity to the activities of these two stalls and their location on the pier, which is frequented daily by thousands of tourists who are spending the winter in and about Long Beach, provides a novelty feature as a selling asset to which their success is largely attributed. No deliveries are made and the service that permanent residents of the community demand from their local retailers, is not called for.

There has been a direct good from the establishment of this market as is shown in examination of the prevailing retail prices before and after it started business. Prior to its establishment the local retailers had been making the following charges:

| | | | | |
|-------------|-------|-----|-----------------|-----------------|
| Halibut | ----- | 25 | cents to 35 | cents per pound |
| Yellow tail | ----- | 18 | cents to 22 | cents per pound |
| Mackerel | ----- | 12½ | cents to 15 | cents per pound |
| Rock cod | ----- | 10 | cents to 12½ | cents per pound |
| Albicore | ----- | 20 | cents per pound | |
| Barracuda | ----- | 20 | cents to 22½ | cents per pound |

Since the establishment of this municipal market, April 1, 1918, the prices not only have been fairly uniform, but for fish sold sliced (which is the basis of the foregoing figures) the price has been as follows:

| | | | |
|-------------------|-----|--------------|-----------------|
| Halibut ----- | 15 | cents to 17½ | cents per pound |
| Yellow tail ----- | 10 | cents to 15 | cents per pound |
| Mackerel ----- | 8½ | cents to 10 | cents per pound |
| Rock cod ----- | 10 | cents | per pound |
| Albicore ----- | 12½ | cents to 15 | cents per pound |
| Barracuda ----- | 15 | cents to 17½ | cents per pound |

At the stall conducted by the fishermen the fish are sold in the round, not being cleaned, and with the heads on. The fishermen are allowed to charge the consumer a margin of 2 cents per pound over the maximum prices that have been fixed by the State Fish Exchange for the round weight amount that the fishermen are entitled to charge. One cent is the fee charged for use of the stall, etc., and 1 cent the fishermen's return for their labor and services in dealing with the purchaser. This stall was started in February, 1918, and during the succeeding three months fishermen sold from 1,200 to 1,500 pounds of fish a day in this manner. The sales have considerably decreased since then and amount now to only about 200 pounds a day. The falling off in the business is explained by the fact that fishermen are engaged in securing other varieties of fish for canners' purposes, but that later, during the winter months, they will be supplying consumers again.

State Ownership of Fresh Fish Industry and State Marketing.

State ownership of the fresh fish industry, meaning the owning of the physical property, fishing boats, etc., would seem an unnecessary risking of the capital investment, and reference to the report of a similar plan in Australia indicates that the people as a whole are not compensated for the loss by depreciation. Fishing is an industry which, because of the element known as "fishermen's luck" does not return a high average earning to all of those engaged in fishing. Neither is the average return for all equipment sufficient to carry a fair interest rate on the total investment, nor the necessary depreciation charge. Some boats and fishermen will have extraordinary success due to the combination of luck, intelligence and persistent effort. The figures compiled by the Department of Labor two years ago, showed the average head of a fisherman's family earned slightly less than \$750 a year. If each of these fishermen had been charged his percentage of the depreciation to the boat and equipment on which he fished, it would reduce his earnings materially, and of course state ownership would require, if the industry is to be self-supporting, that all disbursements and depreciation charges constitute maintenance costs as the basis to determine net earnings. The State would also on the salaried basis pay to its fishermen the legal minimum wage; work the fishermen only eight hours a day, and half days on Saturdays; and allow two weeks vacation with pay each year. *It is estimated that all these factors would add 60 to 70 per cent to the*

labor cost alone over the present labor cost. It is true that during the past few years depreciation on old boats has been more than offset by the increased cost in new materials due to war conditions and which has advanced the value of prewar built boats to more than their original cost. Owing to the speculative nature of the industry and the absolutely certain depreciation in after war times, it would seem unwise to risk the taxpayers' money in the purchase, at present valuations, of securities of this sort. If there were a shortage in the facilities and the emergency of food requirements due to the war necessitated more boats for the building of which private capital would be lacking, the condition would be different. Our condition is the opposite of this. Ample private capital is available for the building of boats, of which there are more now than is utilized to the full capacity. The problem is to devise marketing methods, stimulate consumption and to direct the fishermen's activities to the end of utilizing the gross production equipment.

In order to fully carry out the provisions of the State Fish Exchange law so that the consumer shall get his fish at the lowest possible price consistent with a reasonable profit to fisherman and distributor, it becomes imperative that the visible supply of fish shall be known daily in order that fair prices may be established and published in the daily press for the information and protection of consumers and retail dealers.

After months of strenuous effort, we have succeeded in making this possible in the northern part of the state. Machinery has been perfected whereby with reasonable accuracy we can tell at the close of each day the supply to be offered to the public the following morning. Surplus catches are thus promptly brought to the attention of the department and immediate advertising can be put into effect so that these surpluses can be quickly absorbed by the public at cut prices.

The conditions in the southern part of the state are widely different due to the fact that a goodly portion of the fish consumed in Los Angeles, for example, is brought from Mexican waters, in addition to which fish are caught at San Diego, Long Beach, San Pedro, Catalina, Santa Barbara and several other points.

Up to this time we have been working on plans that would enable us, as in the north, to know at some hour of the day the visible supply from all these many different points. The plan is not yet perfected. We believe, however, that the problem is solvable and the department is therefore steadily working on the idea that in the near future the system will be perfected and the State Fish Exchange will be able to deal with the southern situation as intelligently and efficiently as it is able to deal with the northern situation. The problem is an *entirely new one* with no precedents to guide and it is, therefore, in *the nature of pioneer work that demands time and patience for its* *ution.*

PRICE REGULATION IN THE INTERIOR.

It had been hoped before this to broaden the scope of price regulation to include inland cities and towns as rapidly as possible. Because San Francisco is by far the chief source of supply for the state, and also forms the principal market for the lower-priced "steamer" or flat fish, control was first established in the cities surrounding the Bay. It was considered best thoroughly to establish the regulatory measures and to eliminate any possible defects in the machinery of price control at the most important market, before venturing on unknown seas, thus providing a workable basis from which to start. By regulating prices at the source, those in other districts would subsequently be brought under control.

The next logical step, the establishment of regulations looking to the control of prices in the interior districts, met with difficulties the most serious of which proved to be the limited supply. All efforts to extend the region of control to the interior have been nullified because the interior dealer—like his brother in the seaboard market—has been able to obtain only a portion of his usual requirements. The majority of the retail fish dealers in the smaller outlying towns are "side-liners" such as butchers, green grocers or provision dealers, carrying fish in many instances merely for the convenience of their patrons, rather than as a source of profit. Since the country dealer's supply is limited, and since he can not be compelled to carry fish, any attempt to limit his profit would in many cases have deprived the interior consumer of fish almost entirely. Furthermore, due to the scarcity of steamer fish, he has been obliged, for the most part, to depend for a supply principally upon salmon or the "imported" fish, such as halibut, barracuda, and sea bass. These types are already high in price before reaching this state or the local markets. The imported varieties have also the added advantage and attraction of being "good keepers" whereas the lower priced varieties, such as sole, sand dabs and flounder if not quickly sold, soon become unfit for human consumption. This is the case especially during the warmer weather when part of his supply may spoil on his hands and prove a total loss.

A second consideration before price regulations could be extended to the interior towns and cities is the publication and enforcement of prices. It would be necessary to employ a corps of deputy inspectors at interior points for the proper enforcement of price schedules and Fish Exchange rulings. Without inspectors to check up and obtain the necessary evidence, it would be difficult to detect and impossible legally to prosecute dealers who violate the law. Such plan was found impracticable as the total revenue of the State Fish Exchange proved to be less than half the amount originally estimated, and barely sufficient in normal times, after

providing the cost of administration, to leave a surplus for necessary advertising and educational purposes. It is necessary, therefore, to devise some means or other agency to substitute for paid inspectors. It is hoped, however, that in due course when the supply of fish again becomes normal, relief may be afforded to consumers. Now that the courts have definitely established the constitutionality of the act, and numerous suspensions and prosecutions have taken place, little opposition is expected in the interior districts.

With the method of price control securely established at sea board markets, there will then be less difficulty in enforcing prices in the interior and with such aid as can be obtained possibly from the Federal Food Administration, or other voluntary agencies, appointed in each district, to effect a solution of the problem.

Meanwhile, as pointed out in my previous report, the wires have been laid and arrangements completed whereby dealers of such towns and cities may be notified through their local press of the daily retail prices. It has been ascertained that the edition of the San Francisco morning papers carrying the daily schedule of prices issued by the exchange reaches towns and cities within a radius of some fifty to seventy-five miles of that point before market sales have begun in the early morning. These schedules may thus carry a subheading informing the out of town reader of the differential in prices.

The fish retailer in the interior must, as a rule, pay the cost of transportation, iceing, and boxing, of some 2 cents per pound in the case of steamer fish and $2\frac{1}{2}$ cents per pound on the larger fish, added to the wholesale price at point of shipment. Schedules prepared by this office and furnish to all dealers show what the wholesale prices should be, based on published retail prices. The retail dealer can thus immediately determine from the prices published daily in the press what his wholesale price should be. As the increase of $2\frac{1}{2}$ cents per pound on the San Francisco wholesale price to cover cost of boxing, iceing and transportation to out of town points would increase the retail price at such points proportionately, the consumer in the interior, by scanning the market page of the morning paper for the San Francisco quotations and making allowances for this differential, may likewise be informed of the price the retailer in his town should charge.

As soon as the daily supply increases, therefore, an effort will be made by the above means, to put into immediate operation measures calculated to regulate and control as nearly as possible prices in the interior. Until that time, however, little can be done, with the exception of obtaining representatives in outlying districts, details of which are under way at the present time. It is obvious that the chief solution of these problems is an increased supply to which the fishing companies, under the

urging of this department. are bending every effort. With a normal or surplus quantity of fish on hand, as in the past, a market can readily be created as has been demonstrated, through display advertising by the State Fish Exchange, and demand augmented that will induce and enable dealers in the interior to carry fish in spite of lower prices due to price control.

CHANGES AND ADDITIONS TO PERSONNEL.

In April, Secretary Edgar Allen Forbes, who had served so efficiently as secretary of the State Market Commission since its inception, and latterly as secretary of the State Fish Exchange as well, found it necessary to resign owing to ill health. I accepted his resignation with regret, inasmuch as his wide experience and able assistance had proved invaluable.

The problem of his successor was settled with the appointment of F. N. Bigelow, a San Francisco newspaperman. As the arrangement, by which Mr. Forbes, as secretary of the State Market Commission, has served as secretary of the State Fish Exchange without salary, proved to be satisfactory, Secretary Bigelow, with the approval of the Board of Control, serves in the same capacity. In this way a material saving to the exchange is effected. This is important when it is remembered that no appropriation was provided for the State Fish Exchange, which on that account must depend entirely upon the license revenues.

Under the able management of Mrs. D. F. Nepp, the license bureau, which is also the accounting department, was brought to a high state of efficiency. As the matters pertaining to this department have broadened considerably, and in addition require someone with executive authority, particularly in coming in contact with licensees, Mrs. Nepp was also appointed assistant secretary, and in this way has charge of the entire clerical force, both of the State Market Commission and of the State Fish Exchange.

While the department entered the current fiscal year with only one paid deputy locally, and one outside deputy without salary, the broadening activities have necessitated the addition of some five deputies, of whom three are salaried employees. Mr. Vincent Quartararo continues to fill the position of deputy in connection with the intricate problem of price fixing. In addition to obtaining the necessary and important records for that purpose, he is available at all times for educational fish demonstrations.

Deputies were also required at the important supply sources, such as Monterey Bay and the Sacramento River district, their duties including among other things, ascertaining daily the amount of the catch and transmitting this information by telephone to the main office in time

for the nightly fixing of prices. This can only be done after all records of the available supply from each district are in hand. As these figures are gathered from many agencies in each district, the logical and economical method was to have a resident deputy in each district, who could also act as inspector and represent the department among the fishermen.

Accordingly, with the commencement of the season at Monterey in the early spring, I appointed John J. Leonard of Santa Cruz, who consented to serve without salary. As the season progressed, however, his activities were found to be greater than at first expected and he was granted a nominal salary of \$25 monthly.

The Sacramento River district presented a more complicated problem, due to the extent of the fishing grounds and the widely scattered landing places, the most central of which is Pittsburg. Here an office was opened in February at nominal expense, and a deputy appointed for the district at a salary of \$125 a month. In addition to gathering the records of daily catch, the deputy is advised nightly of the prices established at the San Francisco office, which, on receipt from him of the record, and estimating the supply and probable demand, is thus able to determine the price to fishermen in the Sacramento River district. The deputy in turn posts the prices in a prominent place, in addition to communicating the price on each variety to the buyers. This is highly important as the fisherman in the Sacramento River district is paid each Saturday for his catch throughout the week, and the record of each day's prices is necessary to him. A weekly letter is also issued by the deputy to each buyer and wholesale house throughout the district Friday night of each week confirming the daily record of prices for the week.

This system has proved satisfactory to all concerned, having become well established through the loyal and untiring efforts of G. B. F. Owen, the first deputy appointed for the district. As the season is intermittent, owing to state laws, closing on June 5 for two months, no deputy was needed during that period and his services were discontinued.

With the reopening of the season, I appointed John J. Davi, resident of Pittsburg and familiar with the district, deputy at a salary of \$50 monthly, thus effecting a material saving in this department. As Mr. Davi already maintained an office at Pittsburg, a further saving was obtained in office maintenance. Through the preliminary efforts of Deputy Owens, the fishermen and dealers in the district had become thoroughly accustomed to the system of price control, and as a consequence the duties could be covered with greater dispatch. In addition to this, by employing a resident, a paid deputy at that point is not required during closed seasons.

When it was found possible, according to program, to begin investigations in the southern part of the state with a view to establishing fish

price control, the first necessity was for a deputy with some knowledge of local conditions, who could handle the difficult situation intelligently. I finally appointed Mr. D. B. Lyons of Los Angeles, to act without reimbursement. As a member of the fish committee of the Los Angeles County Council of Defense, Mr. Lyons had gained considerable insight into the manifold problems of fish distribution and price control and had already given himself patriotically and energetically to the solution of the fish food problem.

With the development of the department's activities to the critical stage of price fixing, however, the details assumed such proportions that deputy Lyons, who is also County Registrar of Voters, was unable to give them his full attention. In August, therefore, I appointed John Q. Roscoe temporarily as assistant deputy at a salary of \$200 per month, with the consent of the Board of Control. Mr. Roscoe had been connected with the fishing industry on the Atlantic seaboard and latterly had rendered considerable assistance to Mr. Lyons in his preliminary activities. His wide experience proved of value in the delicate problems continually arising, and the efficiency with which he has handled details has justified his appointment. At the same time Deputy Lyons was given jurisdiction over the entire southern district from Santa Barbara south. At his suggestion and in order to more thoroughly control the situation at various districts, I next appointed Mr. Squire F. DuRue as deputy of the exchange, without compensation, at Long Beach.

The department has been fortunate at all times in employing efficient and loyal deputies, who have done all in their power to aid and foster the movement of state fish price control.

Had the supply of fish been up to normal, it would have been reasonably possible to have set in motion the regulatory measures in the inlying districts of the state. With the supply as limited as it has been, this has not been made possible, and thus there has been no occasion to employ additional deputies in interior towns and cities, even had the funds been available for the purpose.

LICENSES AND FINANCES.

Instead of the \$20,000 originally estimated in revenues from license fees semiannually, the actual receipts have amounted to barely half that sum, as is indicated by the accompanying statement. A considerable gain has been made over the first official issue of 1917, however, in spite of the radical falling off in the available supply of fish which is responsible in many cases for itinerant peddlers or dealers discontinuing business until the supply improves. In addition to this many dealers have gone out of business because of the labor or cost problem, or attracted by high wages elsewhere.

The increase in fees then can be attributable to only one cause; the fact that this office has persevered in its efforts to locate delinquent dealers and is now in better touch than ever with the city and town authorities throughout the state. Since the act provides that it is a misdemeanor to sell fresh fish without a license, all persons (other than individual market fishermen), partnerships, firms, associations or corporations selling such fish must pay to the state a semiannual license fee. This includes all exclusive retail fish dealers, side-liners, wholesalers, peddlers, fish brokers, salesmen, agents, wholesale houses and branch houses. Incidentally, the law requires also that each dealer must have a certificate of inspection from his city health officer indicating that he has complied with all health and sanitary requirements before a license may be issued.

The co-operation rendered to the Exchange by city health and police departments throughout has been gratifying in the extreme and I can not praise too highly their responsive efforts in locating and forcing delinquent dealers to comply with the law. In San Francisco, Oakland and Los Angeles, this has been particularly noticeable and it is safe to say that but for the efforts of those departments many dealers would have escaped, since it is impossible for reasons already stated for this department to employ an adequate force of inspectors.

Special mention should be made of the city of Los Angeles, where it was found in the early part of the year that the actual license returns did not compare with the actual number of dealers reported to be operating. Unusual energy on the part of the police department and Chief Meat Inspector John H. Nelson, to whom special credit is due, brought the desired results, increasing the license returns materially.

In San Francisco also the police department under instructions from Chief of Police D. A. White has been consistently prompt and energetic in effectively warning lax dealers and peddlers and in rounding up recalcitrant dealers. The San Francisco Health Department has also continued to render invaluable assistance and has been especially faithful

in its performance of duty in securing the cooperation of peddlers and dealers with the city law requiring a sanitary wagon or fish stand.

Indeed, it is to be noted that a decided and beneficial improvement has been effected in peddlers' wagons through the provisions of the State Fish Exchange law requiring them to have an inspection by the city health officers. The former unsanitary and filthy wagons used only too frequently by careless fish peddlers are now a thing of the past.

In closing this report I deem it wise to point out that while extreme economy has been observed in the administration of the department, it has not been at the expense of efficiency in operation. While the unusual scarcity of the fish supply has been a serious factor in limiting the scope of the Fish Exchange for the time being, the very evident good that has resulted from its operations and from the control of the marketing of fresh fish during the period of "fish famine" would indicate that the greatest advantage will obtain during periods of normal or over supply. The fact remains, with no appropriation from state funds, the Fish Exchange from its inception has been entirely self supporting and has placed no added burden upon the taxpayer or consumer.

HARRIS WRIGHT

STATE FISH EXCHANGE.

Expenditures from August 1, 1917, to June 30, 1918, end of Sixty-ninth Fiscal Year.

Salaries:

| | |
|-------------------------------|------------|
| Secretary and assistant----- | \$1,065 16 |
| Stenographer ----- | 1,125 00 |
| Clerical help ----- | 218 50 |
| Extra clerical help----- | 85 00 |
| Inspectors ----- | 2,078 00 |
| Miscellaneous--attorney ----- | 11 00 |

\$4,582 76

Traveling expenses:

| | |
|-----------------|---------|
| Secretary ----- | \$79 03 |
| Employees ----- | 378 30 |

457 33

| | |
|--|----------|
| Office supplies ----- | \$114 31 |
| Printing ----- | 279 92 |
| Multigraphing ----- | 77 24 |
| Office rent ----- | 244 75 |
| Freight and express----- | 8 33 |
| Postage ----- | 514 00 |
| Telephone and telegraph----- | 302 26 |
| Subscriptions, books, etc.----- | 8 00 |
| Miscellaneous ----- | 151 80 |
| Refunds ----- | 282 39 |
| Office furniture and equipment----- | 463 05 |
| Advertising, newspapers and films----- | 3,936 27 |

6,382 32

Revolving fund -----

500 00

Total expenditures ----- \$11,922 40

Summary of Fish Licenses Issued From July 31, 1917, to October 31, 1918.

| Classification | Cash receipts for first issue of fish licenses | Cash receipts for second issue of fish licenses | Cash receipts for third issue of fish licenses, July 1, 1918, to Oct. 31, 1918 | Total cash receipts for fish licenses from July 31, 1917, to Oct. 31, 1918 |
|--|--|---|--|--|
| Exclusive fish dealers..... | \$89 62 | \$1,155 00 | \$1,000 00 | \$3,184 62 |
| Side line fish dealers and peddlers..... | 4,084 04 | 5,421 71 | 4,920 84 | 14,426 59 |
| Brokers, buyers and organizations..... | 453 04 | 708 34 | 500 00 | 1,661 38 |
| Wholesale fish dealers..... | 2,830 19 | 3,495 00 | 3,920 00 | 10,345 19 |
| Transfers..... | | 10 00 | | 10 00 |
| Totals | \$8,433 99 | \$10,790 05 | \$10,400 84 | \$29,624 78 |

Explanations.

*Exclusive fish dealers licenses issued.**First issue:*

| | | | | |
|----------------------------|-------------|--------|----------|----------|
| Fractional period 5/6..... | 114 sold at | \$8 33 | \$949 62 | |
| Fractional period 3/6..... | 4 sold at | 5 00 | 20 00 | \$969 62 |

Second issue:

| | | | | |
|----------------------------|-------------|---------|------------|----------|
| Six months..... | 115 sold at | \$10 00 | \$1,150 00 | |
| Fractional period 3/6..... | 1 sold at | 5 00 | 5 00 | 1,155 00 |

Third issue:

| | | | | |
|----------------------------|-------------|---------|------------|------------|
| Six months..... | 103 sold at | \$10 00 | \$1,030 00 | |
| Fractional period 3/6..... | 6 sold at | 5 00 | 30 00 | 1,060 00 |
| | | | | \$3,184 62 |

*Side line fish dealers and fish peddlers licenses issued.**First issue:*

| | | | | |
|----------------------------|-------------|--------|------------|----------|
| Fractional period 5/6..... | 956 sold at | \$4 17 | \$3,986 52 | |
| Fractional period 4/6..... | 3 sold at | 3 34 | 10 02 | |
| Fractional period 3/6..... | 35 sold at | 2 50 | 87 50 | 4,084 04 |

Second issue:

| | | | | |
|----------------------------|---------------|--------|------------|----------|
| Six months..... | 1,074 sold at | \$5 00 | \$5,370 00 | |
| Fractional period 4/6..... | 6 sold at | 3 34 | 20 04 | |
| Fractional period 3/6..... | 11 sold at | 2 50 | 27 50 | |
| Fractional period 5/6..... | 1 sold at | 4 17 | 4 17 | 5,421 71 |

Third issue:

| | | | | |
|----------------------------|-------------|--------|------------|-------------|
| Six months..... | 982 sold at | \$5 00 | \$4,910 00 | |
| Fractional period 4/6..... | 1 sold at | 3 34 | 3 34 | |
| Fractional period 3/6..... | 3 sold at | 2 50 | 7 50 | 4,920 84 |
| | | | | 14,426 59 |
| | | | | \$17,611 21 |

Transfers.

| | | | | |
|------------------------|------|--------|--------|-------------|
| No. 145 wholesale..... | 1 at | \$5 00 | \$5 00 | |
| No. 231 exclusive..... | 1 at | 5 00 | 5 00 | \$10 00 |
| | | | | 10 00 |
| | | | | \$17,621 21 |

*Brokers', buyers and fishermen's organizations licenses issued.**First issue:*

| | | | | |
|----------------------------|------------|---------|----------|----------|
| Fractional period 5/6..... | 10 sold at | \$41 67 | \$416 76 | |
| Fractional period 4/6..... | 1 sold at | 33 34 | 33 34 | \$450 04 |

Second issue:

| | | | | |
|---------------------------|------------|-----------|----------|--------|
| Six months ----- | 12 sold at | \$50 00-- | \$600 00 | |
| Fractional period 5/6---- | 2 sold at | 41 67-- | 83 34 | |
| Fractional period 3/6---- | 1 sold at | 25 00-- | 25 00 | 708 34 |

Third issue:

| | | | | |
|---------------------------|-----------|-----------|----------|--------|
| Six months ----- | 9 sold at | \$50 00-- | \$450 00 | |
| Fractional period 3/6---- | 2 sold at | 25 00-- | 50 00 | 500 00 |

*Wholesale fish licenses issued.**First issue:*

| | | | | |
|---------------------------|------------|------------|----------|------------|
| Fractional period 5/6---- | 1 sold at | \$208 34-- | \$208 34 | |
| Fractional period 5/6---- | 1 sold at | 208 33-- | 208 33 | |
| Fractional period 5/6---- | 3 sold at | 83 33-- | 249 99 | |
| Fractional period 5/6---- | 1 sold at | 50 00-- | 50 00 | |
| Fractional period 5/6---- | 39 sold at | 41 67-- | 1,625 13 | |
| Branches ----- | 1 sold at | 5 00-- | 5 00 | |
| Branches ----- | 20 sold at | 4 17-- | 83 40 | \$2,030 19 |

Second issue:

| | | | | |
|------------------|------------|------------|----------|----------|
| Six months ----- | 2 sold at | \$250 00-- | \$500 00 | |
| Six months ----- | 1 sold at | 150 00-- | 150 00 | |
| Six months ----- | 3 sold at | 100 00-- | 300 00 | |
| Six months ----- | 10 sold at | 75 00-- | 750 00 | |
| Six months ----- | 32 sold at | 50 00-- | 1,600 00 | |
| Six months ----- | 3 sold at | 25 00-- | 75 00 | |
| Six months ----- | 24 sold at | 5 00-- | 120 00 | 3,495 00 |

Third issue:

| | | | | |
|------------------|------------|------------|----------|-------------|
| Six months ----- | 2 sold at | \$250 00-- | \$500 00 | |
| Six months ----- | 1 sold at | 200 00-- | 200 00 | |
| Six months ----- | 1 sold at | 150 00-- | 150 00 | |
| Six months ----- | 4 sold at | 100 00-- | 400 00 | |
| Six months ----- | 10 sold at | 75 00-- | 750 00 | |
| Six months ----- | 36 sold at | 50 00-- | 1,800 00 | |
| Six months ----- | 24 sold at | 5 00-- | 120 00 | 3,920 00 10 |

\$21

APPENDICES.

APPENDIX A.**Principal Co-operative Marketing Associations of California.***Citrus fruits.*

California Fruit Growers Exchange, Los Angeles.
Mutual Orange Distributors, Redlands.

Deciduous fruits.

California Fruit Exchange, P. O. Box 752, Sacramento.
Central California Berry Growers Association, 338 Consular Building, San Francisco.
California Pear Growers Association, Consular Building, San Francisco.
Sebastopol Apple Growers Union, Sebastopol.
Vacaville Fruit Growers Association, Vacaville.
Watsonville Apple Distributors, Watsonville.

Dried fruits.

California Associated Raisin Company, Holland Building, Fresno.
California Peach Growers, Holland Building, Fresno.
California Prune and Apricot Growers, San Jose.

Dairy products.

Associated Dairymen of California, Fruit Building, Sacramento.
Associated Milk Producers, 53 Clay Street, San Francisco.
California Milk Producers Association, 1505 South Main Street, Los Angeles.
Milk Producers Association of Central California, 7 Bacon Building, Oakland.
Milk Producers Association of San Diego County, Second and Broadway, San Diego.
Northern California Milk Producers Association, 308 Farmers and Mechanics Bank Building, Sacramento.
San Joaquin Valley Milk Producers Association, Cory Building, Fresno.

Nuts.

California Almond Growers Exchange, 311 California Street, San Francisco.
California Walnut Growers Association, 1326 East Seventh Street, Los Angeles.

Poultry.

Poultry Producers of Central California, 757 Sansome Street, San Francisco.
Poultry Producers of Southern California, 1560 Industrial Street, Los Angeles.

Miscellaneous.

Alfalfa Growers of California, Inc., Central Building, Los Angeles.
California Associated Olive Growers, Corning, Cal.
California Honey Producers Co-operative Exchange, Wholesale-Terminal Building, Los Angeles.
California Lima Bean Growers Association, Oxnard.
Escondido Vegetable Growers Association, Escondido.
Lima Bean Growers Association, Oxnard.
Pacific Rice Growers Association, P. O. Box 434, Sacramento.
Thermal Cantaloupe Growers Union, Thermal.
Turlock Merchants and Growers, Turlock.
California Bean Growers, Commercial and Savings Bank Building, Stockton.
California Tomato Growers Association, Consular Building, San Francisco.

APPENDIX B.

STATE MARKET COMMISSION ACT OF CALIFORNIA.

Chapter 802.

An act to provide for the creation of the "state market commission" and the organization thereof; to define its other duties and powers; to create the position of state market director; to define his duties and powers; to create the state market commission fund, and a revolving fund; and repealing that act known as "state commission market act," approved June 10, 1915, chapter seven hundred thirteen of the statutes of 1915, and all other acts and parts of acts in conflict with the provisions of this act.

[Approved June 1, 1917.]

The people of the State of California do enact as follows:

SECTION 1. There is hereby created the "state market commission," a state organization for the following purposes, to wit:

First—To act as advisor for producers and distributors when requested, assisting them in economical and efficient distribution of any such products at fair prices.

Second—To gather and disseminate impartial information concerning supply, demand, prevailing prices and commercial movements, including common and cold storage of any such products.

Third—To promote, assist and encourage the organization and operation of co-operative and other associations and organizations for improving the relations and services among producers, distributors and consumers of any such products, and to protect and conserve the interests of the producers and consignors of such products.

Fourth—To foster and encourage co-operation between producers and distributors of any such products, in the interest of the general public.

Fifth—To foster and encourage the standardizing, grading, inspection, labelling, handling, storage and sale of any such products.

Sixth—To act as a mediator or arbitrator, when invited by both parties, in any controversy or issue, that may arise between producers and distributors of any such products.

Seventh—To certify, for the protection of owners, buyers or creditors, when so requested, warehouse receipts for any such products, verifying quantities and qualities thereof, and to charge for such service fees sufficient to make the service at least self-supporting.

Eighth—To issue labels bearing the seal of the state market commission on request of the producer, packer, canner or distributor, for any such products, for which state labels have not otherwise been authorized by law, under such rules and regulations as the director may deem necessary and to charge for such labels such fees as in the judgment of the state market director may be proper.

Ninth—To act on behalf of the consumers of any such products in conserving and protecting their interests in every practicable way.

Tenth—To improve, broaden and extend in every practicable way, the distribution and sale of any such California products throughout the markets of the world.

Eleventh—To promote in the interest of the producer, the distributor, and consumer, economical and efficient distribution and marketing of all or any agricultural, fishery, dairy and farm products produced, grown, raised, caught, manufactured or processed within the State of California.

It shall be within the province of the state market director, hereinafter provided for, to determine and decide, when, where and to what extent, existing conditions render it necessary or advisable to carry out any or all the purposes of this act and he is herewith granted power and authority to carry out any or all of said purposes.

SEC. 2. This act shall be known as the "state market commission act."

The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "commission" shall be the state market commission.

shall be the state market director himself personally or his duly
representative.

The word "products" shall refer to the agricultural, fishery, dairy and farm products produced, grown, raised, caught, manufactured or processed within the State of California.

The term "organizations of producers and distributors" shall include all corporations, societies, associations and organizations of producers or of producers and distributors, or of distributors, cooperative or otherwise, formed for the purpose of facilitating the marketing of any such products.

A "person" shall be understood to include individuals, partnerships, associations and corporations or their agents or employees.

When the singular is used the plural is also included. Whenever the masculine is used, the feminine and neuter are included.

SEC. 3. The state market commission shall consist of a governing body of one person, to be known as the state market director, hereinafter referred to as the director, who shall be appointed by the governor of the State of California, and of a secretary to be appointed by the state market director, as hereinafter provided, and these two shall perform the duties and exercise the powers of the state market commission and shall administer the provisions hereof, administer oaths, certify to all official acts, and do all proper acts to carry out any and all of the purposes hereof.

SEC. 4. The director is hereby vested with full power, authority and jurisdiction to do and perform any and all things which are necessary or convenient in the exercise of any power, authority or jurisdiction designated and conferred upon him under this act.

SEC. 5. The commission shall have a bureau of correspondence for gathering and disseminating information on all subjects relating to the marketing of California products, and may issue bulletins thereon, and by every practicable means keep the producers informed of the supply and demand and at what market their products can best be handled.

SEC. 6. The term of office of the director shall be four years or until his successor be appointed by the governor, and the annual salary of the director shall be five thousand dollars. The first appointment of director shall be made upon this act going into effect. The legislature, by a two-thirds vote, may remove the director, for misconduct, neglect of duty, or incompetency.

SEC. 7. The state market commission shall have a secretary who shall be appointed by the director and hold office at his pleasure, and shall perform such duties as he may prescribe. The annual salary of the secretary shall be three thousand six hundred dollars.

SEC. 8. The state market commission shall have a seal bearing the inscription "state market commission of California," which seal shall be affixed to all such instruments as the director shall require.

SEC. 9. The salaries of the director and secretary shall be paid to them in the same manner as are the salaries of other state officers.

The salary or compensation of all other persons holding office or employment under the director shall be fixed by the director and shall be paid monthly from the state market commission fund, as hereinafter provided, and after being approved by the director upon claims therefor to be audited by the state board of control.

All expenses incurred by the director pursuant to the provisions of this act, including actual and necessary traveling expenses, and other disbursements of the director, his officers and employees, incurred while on business of the commission shall be paid from the state market commission fund in the same manner, except as provided for in section twelve of this act.

SEC. 10. The director shall not engage in any other line of business during his term of office, but shall devote his whole time, attention and ability to the duties of his office. The director shall not hold or own any stock or other interest whatsoever in any produce commission business.

SEC. 11. There is hereby created a fund to be known as the "state market commission fund." All fees, charges and costs collected by said commission under this act shall be paid into the treasury of the state to the credit of such fund. All appropriations made by this act or any subsequent act for the use of the state market commission, shall be placed to the credit of such fund. All expenses of whatsoever nature, incurred by the commission under the provisions of this act, shall be paid from the state market commission fund, after being approved by the director, upon claims therefor to be audited by the board of control except as provided for in section fourteen of this act.

SEC. 12. A revolving fund of two hundred and fifty dollars shall be established by the board of control for expenses of the state market commission, other than salaries, rent and other regular expenses, and the director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers monthly with the board of control covering such disbursement.

SEC. 13. The director shall make and submit to the governor, on or before the first day of December of each year, a report containing a full and complete account of the transactions and proceedings of the state market commission for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 14. The director, before entering upon the duties of his office, shall make and execute to the people of the State of California an official bond in the sum of five thousand dollars, for the faithful performance of the duties of his office. The director may require of the officers and employees such bonds for the faithful performance of their duties as in his judgment may be necessary.

SEC. 15. The director may make pertinent investigations concerning the aggregate amount of products held in common and cold storage. In connection with any such investigation, the director shall have the right to inspect only the pertinent books and records of common or cold-storage warehouses for the purpose of determining and publishing aggregate amounts of products held in storage, and the director is hereby empowered to issue subpoenas for the attendance of witnesses and the production of pertinent books, papers, accounts, documents and testimony in any such investigation.

SEC. 16. Any and all moneys in the state treasury to the credit of and any moneys due the state commission market fund under the authority of the act creating the state commission market fund, approved June 10, 1915, shall be transferred to the credit of the state market commission fund, created by this act.

SEC. 17. If any section, subsection, sentence, clause or phrase of this act is for any reason declared to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 18. That certain act entitled "An act to provide for the creation of the state commission market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the State of California and selling and disposing of such products on commission, creating the 'state commission market fund' and appropriating money therefor," approved June 10, 1915, and known as the "state commission market act," chapter seven hundred thirteen of the statutes of 1915, and all other acts and parts of acts in conflict with this act are hereby repealed.

APPENDIX C.

STATE FISH EXCHANGE ACT OF CALIFORNIA.

Chapter 808.

An act to empower the state market director of California to regulate and control the business of buying and selling fresh fish; to regulate the destruction of food fish; to create a state fish exchange; to license those engaged in marketing fish; to create a state fish exchange fund and a revolving fund; to provide penalties for violations of this act; to investigate and report on the fish industry; and to promote the sale of fish.

[Approved June 1, 1917.]

The people of the State of California do enact as follows:

SECTION 1. This act shall be known as the "state fish exchange act."

SEC. 2. It is hereby declared that it is the purpose of this act to bring about an increased consumption of fresh fish by the people of California, to enable them to obtain the same at reasonable prices, and to empower the state market director to regulate and control the business of buying and selling fresh fish, to regulate the destruction of food fish, to create a state fish exchange, to license those engaged in marketing fresh fish, to create a state fish exchange fund, to provide penalties for violations of this act, to investigate and report on the fish industry, and to promote the sale of fish.

SEC. 3. The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "state market director" shall be understood to be himself personally or his duly appointed and authorized representative. A "person" shall be deemed to include individuals, partnerships, associations and corporations, or their agents or employees. A "retail dealer," "peddler," or "huckster," is one engaged in the business of selling fresh food fish direct to the consumer. A "wholesale dealer" is one who sells fresh food fish to hotels, restaurants, railroads, steamships, hospitals, institutions and all others than the consumer, and especially to retail dealers for resale. A "fish buyer" or "fish broker" is one engaged in the business of buying or selling fresh food fish for the owner or consignee, or who, without an established place of business, buys from the fishermen for the purpose of reselling to others than the consumer. "Market fishermen" are individuals engaged in the business of catching fish under licenses issued by the state fish and game commission authorizing them to do so. When the singular is used, the plural is also included; whenever the masculine is used, the feminine and neuter are included.

SEC. 4. It is hereby declared that the ownership and title to all fish found in the waters under the jurisdiction of the state are in the State of California; no such fish shall be caught, taken or killed in any manner or at any time except that the person so catching, taking or killing or having the same in his possession, irrespective of the manner in which they were obtained, shall by such act or possession thereby consent that the title to such fish shall be and remain in the State of California for the purpose of regulating and controlling the use and disposition of same after such catching, taking or killing, except that the title to such fish legally taken shall vest in the person so taking or possessing them, subject to the restrictions and provisions of law. All fish found in the possession of a person within the State of California shall be presumed to have been taken under the jurisdiction of the state.

SEC. 5. (a) The state market director is hereby vested with jurisdiction to regulate and control the business of buying and selling and otherwise disposing of fresh food fish caught in the waters under the jurisdiction of the state, and the business of buying, selling and disposing of such fresh food fish may not be carried on except in accordance with the provisions of this act.

(b) The state market director is hereby vested with jurisdiction to open and conduct where, when, and for so long as he deems it advisable, state markets for the buying and selling of fresh food fish, and to rent, lease or purchase plants and equipment necessary for the same, and to use so much of the funds placed at the disposal of the state market director by the act creating the state commission market, approved June 10, 1915, or in the event of the repeal of said act, by the state

market commission act, as may be required in establishing and conducting said markets.

(c) The state market director is hereby vested with full power, authority and jurisdiction to do and perform any and all things, whether herein specifically designated, or in addition thereto, which are necessary or convenient in the exercise of any power, authority or jurisdiction conferred under this act.

SEC. 6. (a) The state market director shall, when and where and for so long as he deems it advisable, establish maximum prices to be paid or charged in any particular locality, for food fish of any or all varieties intended for human consumption in its fresh condition, caught in the waters under the jurisdiction of the state:

First. To be paid to those engaged in catching such fish for sale.

Second. To be paid to those engaged in the wholesale fish business.

Third. To be charged to the consumer by retail fish dealers, peddlers or hucksters; and said prices shall be such as will allow, in the judgment of the state market director, a reasonable compensation or profit to those engaged in the catching or selling of such fish.

(b) The state market director may, at his discretion, from time to time make such changes or withdrawals in the prices authorized in section six (a) hereof, as he may deem necessary.

(c) It shall be unlawful for any person engaged in the business of selling fresh food fish in a particular locality to charge more than the maximum prices authorized for such locality, as provided in section six (a) hereof. Any violation of the provisions of this paragraph, after receipt of notice of maximum prices established in accordance with the provisions of section six (a) of this act, shall be good and sufficient ground for the suspension or revocation by the state market director in his discretion of any license issued under the authority of this act.

(d) In the exercise of powers under this act, the state market director may confer with parties interested with a view of securing their advice and counsel as to maximum prices to be paid and charged.

SEC. 7. It shall be unlawful for any one to destroy, or cause or permit to be destroyed any food fish in excess of fifty pounds within one day of twenty-four hours or to divert, or cause or permit to be diverted any food fish to any use other than human consumption, without having first obtained the written consent of the state market director to such destruction or diversion. Consent to such destruction or diversion shall be given only where the applicant establishes to the satisfaction of the state market director that such destruction or diversion is not for the purpose of influencing prices and that reasonable efforts have been made to induce its consumption by the public. Nothing in this section shall be construed to apply:

First. To the use of food fish by fishermen as bait in the customary manner; and,

Second. To any individual market fisherman who is unable to sell for human consumption fish he has caught and who within forty-eight hours after the destruction or diversion of said fish shall report to the state market director the number of pounds and varieties of fish and how disposed of. The deposit in the United States mail of a written statement of said facts, properly addressed to the state market director and stamped, shall be accepted as a sufficient report.

Third. To food fish in the possession of canners, curers or packers and which are not suitable for their use and which in consequence are destroyed or diverted to use other than human consumption; *provided*, that within forty-eight hours after the destruction or diversion of any such fish, the person responsible therefor shall report to the state market director the number of pounds and varieties of fish, reason for destruction or diversion and how disposed of. The deposit in the United States mail of a written statement of said facts, properly addressed to the state market director, shall be accepted as a sufficient report.

SEC. 8. In the event of a supply of fresh food fish reaching any market, which supply in the judgment of the state market director is excessive or abnormal:

(a) It shall be the duty of the state market director, in his discretion, to use every means at his command to induce its consumption by the public, including reduction in prices thereon and increased publicity, as hereinafter provided for.

(b) It shall be obligatory on the part of market fishermen and wholesale fish dealers, who find themselves possessed of an excessive supply, to notify the state market director of the fact, and failure to give such notice shall be sufficient grounds for the suspension for a period not exceeding one month, in the discretion of the state market director, of any license issued under the authority of this act.

(c) The state market director may at his option, use the moneys of the state fish exchange fund hereinafter provided for, in purchasing any part or all of an excess of food fish over the amount that can be sold through ordinary channels, and to place same in cold storage, and to resell same to any or all buyers, and any loss or profit in such transaction shall be charged or credited to the state fish exchange fund.

SEC. 9. Every person, individual, partnership, association or corporation, other than market fishermen, engaged in the business of buying and selling fish for consumption in its fresh condition, shall pay to the state a semiannual license fee, as follows:

First. All retail dealers, dealing exclusively in fish, crustaceans and mollusks, ten dollars.

Second. All retail dealers, handling fish in connection with a retail business, owned by them, in other products than crustaceans and mollusks, and all peddlers and hucksters, five dollars.

Third. All fish brokers and all fish buyers, fifty dollars.

Fourth. All fishermen's organizations selling the catch of their members or agents selling the catch of such fishermen's organizations, fifty dollars.

Fifth. All salesmen or agents representing wholesale fish dealers located outside the state, fifty dollars.

Sixth. All wholesale fish dealers, on the basis of their gross receipts from the sale of fresh food fish, including their sales at branch houses, as follows:

When gross receipts for six months are:

Not in excess of twenty-five thousand dollars, fifty dollars.

Between twenty-five thousand dollars and fifty thousand dollars, seventy-five dollars.

Between fifty thousand dollars and one hundred thousand dollars, one hundred dollars.

Between one hundred thousand dollars and two hundred thousand dollars, one hundred fifty dollars.

Between two hundred thousand dollars and three hundred thousand dollars, two hundred dollars.

More than three hundred thousand dollars, two hundred fifty dollars.

Seventh. All branch houses of wholesale dealers—that is, wholesale dealers operating more than one wholesale establishment—for each branch house, five dollars.

Fees payable by wholesale dealers under paragraph six of this section, as above, shall be due and payable in advance, and shall be based on the applicant's sworn statement as to his gross receipts from the sale of food fish sold for human consumption in its fresh condition, using the corresponding period of the preceding year as a basis. If the applicant did no wholesale business during said corresponding period, a license shall be issued upon payment of a fee of fifty dollars and the execution of a good and satisfactory bond by the applicant to the state market director, guaranteeing the payment of such additional amount as will make the total payable on his actual business during such period equal to the license fee fixed in said paragraph six of this section. If the amount of actual sales of any such dealer for any semiannual period, for which he has paid license fees in advance, shall be greater or less than the amount on which such license fee was based, he shall at the end of such period, be charged with and shall pay to the state such additional amount as would be due on the basis of actual sales as set forth in paragraph six hereof, if the amount of actual sales be greater than the amount on which license fee was paid; or if the actual sales be less than such amount for any such semiannual period, he shall, at the end thereof, be credited with the difference between the license fee paid in advance and the fee that would have been due on the basis of actual sales as set forth in paragraph six hereof; but such credit shall be made only on further license fees that may be payable by any such dealer.

SEC. 10. All licenses provided for in this act shall be paid in advance and shall terminate with December thirty-first and June thirtieth, whichever date may first follow the date of issue. A proportionate charge shall be made, according to the number of months covered, for licenses issued for a portion of the semiannual period, but in no case shall the fee be less than one-half of the semiannual fee, excepting those issued to wholesale dealers as hereinabove provided in section nine of this act. A separate license shall be required for each place of business from persons owning or operating more than one establishment, except that the sale of fish from a vehicle

by the holder of an exclusive retail fish dealer's license shall not require a peddler's license. Persons doing both a wholesale and retail business shall be required to take out both wholesale and retail licenses unless the total receipts of any such person amount to less than ten thousand dollars per annum, and any such person having total receipts of less than ten thousand dollars per annum shall be considered a retail dealer for licenses hereunder.

SEC. 11. All licenses provided for in this act shall be issued by the state fish exchange hereinafter provided for, upon written application accompanied by proper fee, together with a certificate from the local health authorities, or other satisfactory assurance to the effect that the state and local rules and regulations as to equipment and sanitary conditions have been complied with.

SEC. 12. The state controller shall prepare suitable license blanks, of the form and class designated by the state market director, which shall purport to license the holder to deal in fish. They shall be numbered consecutively, commencing with one, and shall provide spaces in which to insert the name of the person to whom issued, his business address, and the period covered. The controller shall deliver all licenses to the state market director, who shall thereupon sign and issue them in accordance with the terms of this act.

SEC. 13. Any license may be transferred or assigned by the holder thereof upon payment of a transfer fee of five dollars; *provided*, notice shall be given in writing to the state fish exchange, hereinafter provided for, within ten days of such transfer or assignment. In such cases the original license shall be returned to the state fish exchange and cancelled and a new license issued in lieu thereof for the unexpired portion of the original license, on payment of the fee named. If notice of transfer or assignment be not given, the license shall be invalid for any other person than the original licensee.

SEC. 14. In the event of a license issued under the authority of this act being lost or accidentally destroyed, a duplicate license may be issued by the state fish exchange, hereinafter provided for, upon payment of a fee of five dollars.

SEC. 15. Every license shall be conspicuously displayed in the place of business for which it is issued, or upon request must be shown by any licensee having no established place of business.

SEC. 16. To carry out the provisions of this act, there is hereby created a "state fish exchange" as a department of the state commission market, created by chapter seven hundred thirteen of the statutes of nineteen hundred fifteen, approved June 10, 1915, and of the state market commission created by the "state market commission act." The state fish exchange shall have a secretary who shall execute a bond to the people of the State of California in the sum of ten thousand dollars for the faithful performance of his duties. The state market director shall have authority, subject to the state civil service act, to appoint all employees of the state fish exchange necessary to carry out the provisions of this act and shall fix their compensation.

SEC. 17. The state market director shall establish and enforce rules and regulations necessary for the proper carrying out of the provisions of this act, and shall print and distribute the same to all persons applying therefor without charge.

SEC. 18. There is hereby created a fund to be known as the "state fish exchange fund." On or before the tenth day of each month, the state fish exchange shall remit to the state treasury all moneys collected by said exchange under this act, during the preceding month. All such remittances shall be placed to the credit of the state fish exchange fund and said fund shall be kept separate and apart from other state moneys. All expenses of whatsoever nature incurred by said exchange pursuant to the provisions of this act, including the actual and necessary traveling and other expenses of its employees incurred while on business of the exchange and including the premium and charge for bonds given by surety companies for employees of the exchange when required by the state market director or by the provisions hereof, shall be paid from the said fund, after approval by the state market director, upon claims to be audited by the state board of control, except as provided in section nineteen of this act.

SEC. 19. A revolving fund of five hundred dollars shall be established by the state board of control out of the state fish exchange fund for expenses of the state fish exchange, other than salaries, rent and other regular expenses, and the state market director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers therefor monthly with the board of control.

SEC. 20. A sum equaling five per cent of the gross receipts of the state fish exchange shall be paid out of the state fish exchange fund, monthly, to the credit of the state commission market fund or in the event of the repeal of the act creating the state market commission fund, approved June 10, 1915, to the state market commission fund as a commission on the business of the state fish exchange, for services rendered it by the state market director.

SEC. 21. Any surplus over and above the expenditures of the state fish exchange in the state fish exchange fund shall be expended by said exchange, under the direction of the state market director, in educational and publicity campaigns for the purposes of increasing the consumption of fresh food fish, and of enabling the public to obtain fish at reasonable prices.

SEC. 22. Nothing in this act shall be construed as applying to fish bought or sold for canning, curing or packing; or as requiring the payment of license fees by cannery, curers, or packers of fish; or to fish caught by other than market fishermen; or to fish sold direct by fishermen to private consumers; or to fish caught in waters within the state privately owned, or to crustaceans or mollusks except that provisions of section seven as to destruction or diversion of food fish shall be of general application.

SEC. 23. Any license issued under the authority of this act may be suspended or revoked by the state market director in his discretion, as herein provided, or upon evidence that the holder thereof has been or is a violator of the provisions of section six of this act, authorizing the fixing of maximum prices on fish, or of the fish and game laws of the state, as evidenced by conviction in any court of competent jurisdiction; or any such license may be suspended in the discretion of the state market director for a period not to exceed thirty days for any violation of the rules and regulations provided for in section seventeen. Such suspension or revocation shall be made only after due notice of such intention has been given the offender and an opportunity given him to rebut the charge at a formal hearing by the state market director, at which hearing the accused shall be entitled to be represented by attorney.

SEC. 24. The state market director may require from any person engaged in marketing fish a written statement as to the amount and varieties of fish caught, or on hand, or sold by said person. Failure to furnish such statement on demand shall be good and sufficient grounds for the suspension of license issued under the provisions of this act, at the discretion of the state market director, for a period not exceeding thirty days.

SEC. 25. The state fish exchange shall have a seal bearing the inscription "state fish exchange, State of California, seal," which seal shall be affixed to all instruments, including licenses, issued under the provisions of this act.

SEC. 26. (a) The state market director may make investigations concerning all matters relating to the provisions of this act. In connection therewith he shall have the right to inspect the books and records of any person engaged in marketing fish, and the state market director is hereby empowered to hear complaints, administer oaths, certify to all official acts, and to issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents and testimony in any inquiry, investigation, hearing or proceeding in any part of the state.

(b) The superior court in and for the county, or city and county, in which any inquiry, investigation or proceeding may be held by the state market director, shall have power to compel the attendance of witnesses, the giving of testimony and the production of papers, including books, accounts and documents, as required by any subpoena issued by the state market director. The court upon petition of the state market director shall enter an order directing the witness to appear before the court at a time and place to be fixed by the court in such order, the time to be not more than ten days from the date of the order, and then and there show cause why he had not attended and testified or produced said papers before the state market director. A copy of said order shall be served upon said witness. If it shall appear to the court that said subpoena was regularly issued by the state market director, the court shall thereupon enter an order that said witness appear before the state market director at a time and place to be fixed in such order, and testify or produce the required papers, and upon failure to obey said order, said witness shall be dealt with as for contempt of court.

SEC. 27. Any violation of the provisions of section seven of this act as to destruction or diversion of food fish, of section nine as to licenses required, or of section ten as to license regulations, or of section fifteen requiring licenses to be displayed or shown, shall be a misdemeanor punishable by a fine not exceeding five hundred

dollars or by imprisonment not exceeding ninety days, or by both such fine and imprisonment.

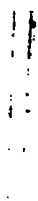
SEC. 28. All prosecutions or suits brought under this act shall be commenced within six months from the time such offense was committed.

SEC. 29. The state market director shall make and submit to the governor, on or before the first day of December of each year, a report containing a full and complete account of the transactions and proceedings of the state fish exchange, for the preceding fiscal year, together with such facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 30. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 31. All acts and parts of acts in conflict with this act are hereby repealed.

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FOURTH ANNUAL REPORT

OF THE

State Market Director

of California

AND

THIRD ANNUAL REPORT

STATE FISH EXCHANGE

A DEPARTMENT OF THE

STATE MARKET COMMISSION

TO THE

GOVERNOR OF CALIFORNIA

FOR THE YEAR ENDING DECEMBER 1, 1919



CALIFORNIA STATE PRINTING OFFICE
SACRAMENTO

1920

STATE MARKET COMMISSION OF CALIFORNIA,

525 Market Street, San Francisco.

HARRIS WEINSTOCK-----*State Market Director*

F. N. BIGELOW-----*Secretary of the Commission*

State Market Director's Representatives on the Board of Directors of Cooperative Marketing Associations.

California Prune and Apricot Growers-----WILLIAM G. ALEXANDER

Poultry Producers of Central California-----JOHN R. DENMAN

Poultry Producers of Southern California-----AUSTIN O. MARTIN

Pacific Rice Growers Association-----W. D'EGLIBERT

California Bean Growers Association-----FRED W. KIESEL

San Joaquin Valley Milk Producers Association-----WILLIAM GLASS

Northern California Milk Producers Association-----FRED W. KIESEL

Milk Producers Association of San Diego County-----E. MELVILLE

Milk Producers Association of Central California-----GUY H. MILLER

Central California Berry Growers Association-----LOUIS E. TOWNSEND

California Pear Growers Association-----R. C. DOBSEY

California Honey Producers Cooperative Exchange-----HARRIS WEINSTOCK

Alfalfa Growers of California, Inc.-----HARRIS WEINSTOCK

California Associated Olive Growers, Inc.-----HARRIS WEINSTOCK

California Federation of Farmers Cooperative Marketing Associations-----

-----HARRIS WEINSTOCK

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1. The first part of the document is a list of names and addresses of the members of the committee.

LETTER OF TRANSMITTAL.

Honorable WILLIAM D. STEPHENS,
Governor of California,
Sacramento.

SIR: Section 16 of the State Market Commission Act provides that: The director shall make and submit to the Governor, on or before the first day of December of each year, a report, containing a full and complete account of its transactions and proceedings for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state."

In accordance therewith, I have the honor to transmit to you herewith my Fourth Annual Report.

Respectfully,

HARRIS WEINSTOCK,
State Market Director.

San Francisco, December 1, 1919.

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FOURTH ANNUAL REPORT OF THE STATE MARKET DIRECTOR OF CALIFORNIA.

*Honorable WILLIAM D. STEPHENS,
Governor of California,
Sacramento.*

SIR: In the aggravated uncertainties of the present world situation, one fact stands foremost—the world today is more than ever dependent upon agriculture. Efforts of the various nations to recover from the effects of the recent world conflict have accentuated rather than diminished the universal need of greater food production. Without doubt, as the tremendous shortage of foodstuffs is gradually overcome, economic conditions will adjust themselves. It is true that one section may produce sufficient supplies for its own needs. One district, however, can not in this day remain sufficient unto itself. It is, therefore, affected by whatever conditions of food shortage exist in another section.

A definite illustration is in Europe's restricted food production. Many sections, Russia and the Balkans particularly, formerly among the heaviest producing centers of the world, have as yet failed by far to return to normal production. Many millions of producers, until comparatively recently under arms, have barely begun to resume productive enterprises, while millions of others, killed or permanently incapacitated, have been eliminated from productive labor.

A large share of the burden of supply has thus fallen, and will continue for some time to come, to fall, chiefly upon those countries and those sections not directly affected by the conflict. The tremendous shortage has resulted in a correspondingly heavy demand which in turn among other things has contributed to higher price levels. The remedy must lie, to a large degree, in stimulated production.

Those agricultural sections in which the farmers are organized for collective marketing are most able to respond with increased production. In furnishing leadership to its farmers in this direction, therefore, California is performing a service of inestimable value.

While the tremendous demand for more foodstuffs has brought with it higher prices, it does not necessarily follow that the farmer marketing individually will profit. Under a system of individual marketing the farmer may at times receive fair returns. It does not always assure him, however, of returns that mean his ability to continue to produce, or to increase production.

The danger of under-production, with correspondingly higher prices to consumers, is accentuated as returns to the farmer fall below a

living and profitable level. Inversely, to the extent to which the farmer is assured of profitable returns which spell at least a reasonable living, will he be encouraged to continue to produce.

Experience has taught the California farmer as a rule that collective action for cooperative marketing forms his greatest assurance of reasonable returns on labor and investment. Our farmers have, therefore, made great strides in cooperative effort. When the original State Market Commission law was enacted in 1915, but few farmers' cooperative marketing associations were in existence in this state. There are now some thirty principal farmers' marketing associations, most of them fostered under the guidance of this department, and including some of the most important products. It is estimated that products handled by the cooperative associations in California in 1919 had a total value of \$250,000,000. The total value of California agricultural and horticultural products for 1919, according to state estimates, exceeded \$550,000,000.

The growth of these associations, as a rule, has been synonymous with necessity. Disposing of his crops individually to the nearest buyer, and having no dependable information as to markets, the farmer was formerly the victim of an unscientific and haphazard marketing system. His market being limited, he was more often forced to take what he could get for his products and as a rule this spelled loss. Particularly was this the case a few years ago when, with many of the industries in their infancy, and with prices to farmers fairly good accordingly, production increased to a point where, under the unsystematic method of individual marketing, it exceeded the capacity of the farmer's available market. Returns then receded to a degree that many of the industries were practically in a bankrupt condition. Further production under such conditions was discouraged. This, in turn, meant far higher prices to consumers.

Cooperative associations have largely altered this condition and have solved much of the farmers' marketing problem. Scientific and businesslike methods have supplanted the individual and unsystematic methods and have provided farmers with access to markets theretofore inaccessible, and at the same time have enabled them to distribute intelligently so as to prevent gluts in some markets, with killing prices, and scarcity in neighboring markets with resultant high prices to consumers. Cooperative associations have thus stabilized prices and markets, and at the same time, by largely eliminating waste and speculation in distribution, have enabled the producer to secure the full market value of his product.

The marketing problem is undoubtedly one of the most serious affecting producers and consumers alike. Any service that will aid in

solving this problem, in order that waste and speculation may be eliminated to the resultant advantage of both producer and consumer, should be encouraged.

That the United States Department of Agriculture has realized this is indicated in the active assistance rendered by it to farmers in many sections. The Bureau of Markets under that department has particularly promoted interstate cooperative marketing associations. More recently, in his last annual report, Secretary of Agriculture D. F. Houston urges still further active measures along this line, stating:

Particularly must the federal and state agencies omit nothing to promote farmers' cooperative associations along right lines.

Among other steps which Secretary Houston says should be taken are the following:

Expansion of existing facilities and activities for aiding farmers in marketing, including the assignment of trained market specialists to each state, in cooperation with the state authorities, to stimulate cooperative enterprises and to make helpful suggestions as to plans and methods.

The impression has circulated in some sections that the work of the State Market Director has been purely and solely on behalf of the producers. This impression is emphatically erroneous. If the underlying trouble is insufficient foodstuffs to go around, then production must be increased. No service more valuable can be performed on behalf of the consumer. Nothing could be more destructive to the welfare and general prosperity of the entire body politic than to permit a policy that refuses to the farmer a fair reward on his efforts.

Agricultural prosperity, as a rule, means general prosperity, and this has followed in such districts where farmers are best organized. Nothing could better demonstrate this fact than the Fresno district, where the organization of the raisin industry and the peach industry has transformed the community from a condition of adversity and despondency to one of the most thriving and prosperous cities in the world today. It has not been the raisin grower nor the peach grower alone who has benefited through organization, but practically every local worker besides.

Criticism that producers' marketing associations are chiefly responsible for the rapid increase in prices to consumers is not in accordance with the facts. If this were so, then those farm products not handled through marketing associations would not have risen correspondingly, and in many cases even at greater rate. If it were true, then little reason exists for the greater increase in prices of clothing, machinery and other manufactured articles.

Consumers have not been alone in their sufferings from high prices; the farmer has borne his full share of the burden. The greatly increased prices paid for equipment, farm materials, seed, fertilizer,

and most of all for labor, the basis of all costs, must naturally be reflected in prices for farm commodities.

The farm labor situation has become still more serious in view of the fact that Professor T. C. Atkeson, of Washington, D. C., representative of the National Grange, and an authority on the subject, points out that less than 1 per cent of the farm boys engaged in the war have returned to the farm. They have found the larger wage, the shorter hours and the many attractions of the cities far too alluring to resist. Unless, therefore, it is made possible for the farmer to get the largest possible share of the consumer's dollar for his product, it will steadily become less and less possible for him to secure and to hold his farm workers.

This in itself, to the great cost of the consumer, must automatically reduce production. The world's experience has shown that, as a rule, the most effective way for the farmers to get the largest share of the consumer's dollar is through cooperative marketing.

Agriculture, as in every other industry, has experienced an unusual increase in cost of production, in many instances more than double that of the pre-war period. It is safe to say that without his organization, and under the hazardous chance of individual marketing, the farmer, aside from exceptional and favorable instances, would not have been assured of receiving his cost of production, plus a reasonable profit, during the past abnormal conditions. No industry, for instance, is affected more than the poultry industry by the tremendous increase in cost of feedstuffs. Yet, in 1918, practically for the first time in the history of the Southern California poultry industry, poultrymen, because of organization, as a whole realized a profit, small it is true, but sufficient to lend encouragement.

Especial emphasis must be placed on the true function of a cooperative marketing association. That function is the elimination of waste for the prime purpose of saving. A business organization can effect material economies, both in the cost of production and of distribution. The greater the volume of business handled, as a rule, the lower is the cost of distribution, to the distinct advantage of both producer and consumer in added savings. The collective purchase of supplies also affords further opportunities for economies, all of which will ultimately result to the material advantage of producer and consumer alike.

Likewise, as the association becomes more effective, the better able it becomes to provide further benefits in standardizing grades and improving qualities, backing up its products with a guarantee that assures to the consumer the full value of every dollar paid.

It is also essential to the producer to be in a position to ascertain *his true cost* of production. Through an organization this can be

accomplished to a degree far more reliable than without collective action. The farmer alone is able perhaps to learn with some degree of accuracy his own cost of production. He is not, however, able to determine the average cost of production throughout the industry. Through an association, this becomes possible, and with the average cost of production ascertained, the farmer has arrived at a safe basis for future operations. This the department has consistently recommended and a definite movement in that direction is now being taken by many associations.

No industry can long survive if it fails to receive its cost of production, plus a reasonable profit. The history of various California products under the chaotic individual marketing system of the past has demonstrated this. While California agriculture has made tremendous strides forward, much remains to be accomplished, and many industries, because of the lack of cooperation, to a large extent are unprepared satisfactorily to meet the present abnormal conditions.

In the following chapters I have endeavored to present in detail an account of the operations of the various marketing associations fostered by or closely connected with this department, showing at the same time their progress during the past year. The record of these associations is ample evidence of the valuable service to be rendered by them in the next few years in encouraging maximum production, and in facilitating, through sound and efficient business principles, applied to farm marketing, an adjustment to normal conditions.

Yours very truly,

(Signed) HARRIS WEINSTOCK,
State Market Director.

CALIFORNIA DRIED PEACHES.

The California Peach Growers Association, marketing over 75 per cent of the dried peaches of the state, has closed the fourth and probably the most prosperous season of its history. With a membership in excess of 6000 growers, it has handled a business this year of close to \$10,000,000.

Out of a total estimated production for the state of 39,000 tons of dried peaches this year, the association has handled approximately 30,000 tons.

It now has a paid-up capital and surplus of \$1,203,809.96. Further, the association has broadened its activities, among other things having installed several processing and packing plants in central localities for the peeling and proper packing of dried peaches, thus rendering improved and efficient service to its members.

Through its own sawmill and box shook factory, the association is now able to assure to its members ample supplies of box shook and sweat boxes, thus rendering them independent of outside difficulties of supply.

In the four years of its history, this sturdy association has revolutionized the industry. It has placed peach growing and marketing on a profitable and secure basis. Cooperation, with its more efficient methods of handling and marketing, has not only increased production, but through collective action producers themselves have been enabled to conduct a continuous and aggressive advertising campaign, commenced soon after the initial activities of the young organization. This has encouraged consumption and created markets that would not otherwise have been possible. While in the aggregate this advertising item alone has amounted to considerable proportion, scattered over the entire product handled by the association, its cost has been ridiculously low, amounting in 1918 to barely four-fifths of 1 per cent of the selling value of the fruit. The cost per pound to the grower under these circumstances is so low as to be unnoticeable. This feature in itself has done much to alter the condition of the peach grower, since under the old conditions the packer or speculator who formerly handled the grower's product would have had no interest in such an extensive advertising campaign and would only have given his attention to his own individual profit.

Through prompt and intelligent action the association has also secured a process for the peeling of peaches that has proved invaluable to the industry, with the result that the former unattractive unpeeled dried peach, not in demand even at low prices, has now been supplanted by an attractive, appetizing dried peach that is in great demand at

higher prices, consequently aiding in bringing about increased markets to the growers.

Among other things the management of the organization has done much to educate its members in the proper cultivation, handling, and curing of the fruit, and in standardizing qualities, which is perhaps most important to the grower, as well as to consumers.

Through a broadminded policy of confining its sales to the wholesale jobbing trade, the association has minimized speculation, with the result that the market is stabilized and rapid fluctuations have been prevented, thus wiping out unnecessary inflation on the one hand and eliminating killing prices to producers on the other.

The California Peach Growers Association has also prepared this year to enter the European market on a broader basis, so that in case of future overproduction, an outlet may be ready at hand.

Compare the present situation with conditions prior to organization.

The limited supply of dried peaches in the early days of the industry made the crop fairly profitable to the grower. In the face of steadily increasing production, however, these profits soon gave way to deficits induced by a lack of consumption on the one hand, and the inefficient system of distribution on the other. The results were unfortunate for the grower who, individually unable to help himself, was faced with an ever recurring loss.

In 1914, with a crop of 35,000 tons, dried peaches netted the growers an average of less than 3 cents a pound. In 1915, with a production of 28,000 tons of dried peaches, the grower netted in many cases even less than the preceding year.

As against these returns, the actual cost of producing dried peaches amounted to substantially 5 cents a pound at that time. Of the 1915 crop, 1500 tons were carried over into the next year, owing to the lack of a market, even at the low price. It is also recorded that thousands of trees were ripped out by growers, as being absolutely unprofitable.

While this condition prevailed in California, investigation developed the fact that dried peaches in that year were retailing in New York City markets at an average of 17 cents a pound. Nothing could have better demonstrated the fallacies of the defective marketing system than this wide gap between the producer's price in California and the consumer's price.

Peach growers one and all realized that a remedy must be found or the destruction of the peach orchards would follow as a natural result of conditions. Determined to devise an improved system of marketing whereby the grower would have some voice in determining the value of his product, leading growers in the vicinity of Fresno late in 1915

completed the erection of one of the largest and most "up-to-the-minute" packing plants which we have in the state—ideally located on two transcontinental lines, viz, the Southern Pacific and Santa Fe, thus enabling our organization to give service to our growers of Kings County equal to or better than any other part of the state.

On account of the large and increasing business of this association, we found it necessary, in order to protect the best interests of our growers, that provision be made for securing an ample supply of box shooks, trays and sweat boxes; consequently after careful consideration and investigation by the board of directors, it was deemed wise to engage in the manufacture of lumber for this purpose. Therefore, the operations of the organization were extended to the erection of a sawmill in Tuolumne County, where government stumpage is cut into lumber and shipped to Fresno, at which point we built an up-to-date box factory, and here the lumber is manufactured into shooks for packing boxes in which all our products are marketed, thus insuring an abundant supply at all times and avoiding any chance of delay in making shipments of dried peaches to the trade on account of shortage of box material, which has sometimes happened in the past.

Being a statewide organization, operating in every section where dried peaches are produced, the board of directors has felt for some time that the growers in those districts more remote from headquarters were not in a position to receive as much first-hand information as the growers in the San Joaquin Valley district. In view of this it has been decided to publish a home magazine devoted to the interests of the peach industry. This will be published monthly and a copy mailed to every grower of the association. It will probably also have a general circulation among the jobbing trade. The first issue it is expected will appear sometime in December. We believe this periodical will serve to more closely bind the ties between the grower and his association as we expect to fill its columns with newsy matter pertaining to the industry, which will be interesting reading for the grower, serving to enlighten him from month to month on what his association is doing.

The Story of the Peach in Film. Over a year ago we started to make a moving picture of the peach industry which was completed last spring, and we now have two reels of over 1000 feet each, depicting the story of the peach, taking the onlooker through the industry from the planting of the tree to the kitchen of the consumer and showing the progress of production, packing and marketing of our Blue Ribbon brand of dried peaches. The story is not only interesting to look at, but educational as well, and it was with the latter purpose in mind that the move was originally conceived, as the picture shows both the right and wrong way of pruning, spraying, picking, cutting, sulphuring and other moves necessary to make the completed article of food attractive, palatable and wholesome for the consumer.

DRIED PRUNE AND APRICOT INDUSTRY.

The organization known as the California Prune and Apricot Growers, Inc., is now among the most successful growers' cooperative marketing associations in California, if not in the United States.

From a chaotic industry of small beginnings, entirely at the mercy of speculative interests, it has grown to one of magnitude, with the speculative features of the past largely eliminated.

As the association has grown more and more effective in stabilizing the industry, in improving qualities and systematizing distribution, production has increased until this year the largest prune crop of record in California has been marketed, and more could easily have been sold. A few years ago a crop one-third of the present proved to be a glut on the market. On the other hand, as production has increased, new markets have been created, so that gluts which formerly resulted in depressing prices far below cost of production, have been prevented.

Greater production, combined with scientific marketing, is the solution for present high prices of various products.

Incentive to increase production, however, is brought about only through adequate returns for investment and effort employed.

As has been demonstrated, this can only be accomplished on behalf of the growers by an efficient cooperative organization, dedicated to their needs and to the protection of the consumer.

By the old system, where producers individually sold small lots to agents or speculators, who in turn distributed to the trade, producer and consumer alike suffered since the size of the speculator's profits depended upon the extent to which he could depress prices to the former and boost prices to the latter.

Just as organization has benefited producers and consumers of other agricultural products, so has it benefited the prune and apricot industries, placing them upon the soundest foundations.

Early in 1916 a large number of progressive prune and apricot growers conceived the possibility of establishing for themselves a growers' information bureau for the purpose of keeping themselves fully advised as to the market. They invited me to attend a mass meeting of growers at San Jose and to lend such assistance as lay within the province of the State Market Director.

At that meeting I urged the formation of a cooperative marketing association that would go much further towards benefiting the producer than the bureau, that would at the same time eliminate waste in distribution, increase production in the interest of consumers and by encouraging consumption and equalizing distribution prevent gluts on the market with their consequent disaster to growers.

This suggestion met with the approval of the growers and at an adjourned mass meeting was adopted, a promotion committee being appointed to carry out the proposal.

The recommendations as finally adopted provided, among other things, for an educational and organization campaign with the objective of forming a statewide association with a paid-up capital stock of not less than \$250,000 nor more than \$1,000,000, and a subscription agreement covering a period of three years and option on two additional years' crops.

It was also proposed to impose a penalty of 2 cents a pound on members failing to deliver crops, as liquidated damages to the association. Without such a provision in the membership agreement, it would have been impossible to hold the members together, particularly when opposing interests, anxious to break up such an organization, temporarily offered temptingly high prices to growers to break away from the association.

After almost a year's arduous efforts on the part of the committee, supplemented by the valuable assistance of leading growers, when the difficulties seemed almost insurmountable, organization was finally accomplished.

In the first year of operations, the association, with a membership numbering about 5000 growers and a paid-up capital of nearly \$1,000,000, handled approximately 110,000,000 pounds of prunes out of an estimated production for the state of 200,000,000 pounds, and 13,000,000 pounds of apricots out of 20,000,000 pounds estimated production.

In spite of most adverse conditions, this huge crop, among the largest in the state up to that time, was marketed in the face of a world war with almost the entire export market cut off. It is not difficult to conceive of the disaster that would have fallen to the lot of the prune grower under such conditions, without the effective marketing facilities afforded under the leadership of the state, and in the face of extreme productive costs.

Opening prices per pound were on a 6 cent basis for prunes and 15 cent basis for apricots.

This year, the association has controlled upwards of 200,000,000 pounds of prunes out of an estimated production close to 300,000,000 pounds, with an opening base price of 12 cents.

While this is an advance over the preceding year's prices, in this connection General Manager H. G. Coykendall has written to the San Francisco Retail Grocers Association, an answer to comments on opening prices that may prove enlightening:

For your information we are enclosing a list of our opening prices, as established on July 16 of this year, and the only prices we have named this year. At the time these prices were named, the independent packers were actually paying the growers

as high as 15 cents basis, irrespective of sizes, and trying to urge our growers to sell on the outside, pay us the 2 cents damage to which we are entitled under our contract with the grower, and still make a bonus over our prices.

When we named these prices we took into consideration the size of the crop, the consuming power of the public, dependent upon price, and the fact that it was absolutely necessary to name a price which would enable prunes to be offered to the consuming public at a fair ultimate price, and thereby serve to increase the consumption of prunes and to move the entire crop.

As a matter of fact, we have not had one single complaint from a buyer on our prices. On the contrary we have dozens of letters and wires expressing their appreciation of the fact that we treated the buyers fairly in the matter of price.

The mere fact that there has been an unlimited amount of trading in our prune contracts by legitimate jobbers and exporters since we have withdrawn from the market at from 2 cents to 3 cents to even 5 cents on some of the larger sizes, shows that our opening prices to the trade were more than fair.

Out of the vicissitudes of the prune growers in early years has grown an organization that has given strength and stability to the industry, an organization that has fully demonstrated the value of cooperation among growers.

Wide and detrimental fluctuations in prices have been eliminated and increased production has been encouraged. It is estimated that 14,000 acres of new plantings are coming into bearing annually, to be added to the 80,000 acres estimated as now bearing in California.

The association has steadily conducted advertising campaigns to increase consumption to keep pace with the ever increasing production.

It has fully standardized its products and has also established several packing plants forming a subsidiary corporation known as the Growers Packing and Warehousing Association, Inc., for the purpose.

Further details are given by H. G. Coykendall, who writes as follows:

Our association has been formed three years in May, 1920. During the last year particularly we have shown tremendous strides. We have signed up over 10,000 acres of prunes and apricots this season. Our sales for this year will amount to approximately \$25,000,000 or more. Further than this we believe that our stand as a cooperative association is essentially sound as a result of the past three years' business. Our prices in 1917 were certainly fair to both consumer and producer, and beyond a question of a doubt our prices this year showed the trade that our association was organized, not only to standardize quality and pack, but also to standardize price, and that our ultimate aim was to get more to the producer, at the same time making the price to the consumer *much cheaper* than when the goods were handled in the old speculative way.

We have extended our selling agencies to practically every country in the world and are shipping our prunes and apricots under our "Sunsweet Brand" all over the universe.

We now have over 8000 members in our association, scattered from one end of the state to the other, and we think that we can honestly state that never have our growers been so well satisfied as they have at the present time.

Furthermore, we believe that the need of an association has never been as urgent as it has this year, due to the chaotic condition of the market, embargoes and losses on export shipments due to the drop in exchange, and dozens of other important factors. In spite of this we have been able to stabilize our product and keep the market from fluctuating so that we think we undoubtedly will be able to clean up all of our stock.

The prune crop this year was estimated at between 275,000,000 pounds to 300,000,000 pounds. The apricot crop from 12,000 to 15,000 tons dried.

In order to insure the consumption of this immense crop, in conjunction with all the other large dried fruit crops that there are, we felt that it was necessary to put

on an advertising campaign in the United States and Canada; and are spending over one-quarter of a million dollars now featuring particularly our carton package of prunes, also our carton package of apricots, our canned pitted prune, our canned cooked, ready-to-serve prune, and a fruit butter, besides other various by-products.

We are also advertising extensively prune bread which we believe will become as popular, if not more popular, than raisin bread. We are endeavoring to raise the standard of our prune and teach the American public to realize that prunes are not only a first-class commodity, but are far from being a boarding house joke.

We are standardizing our brands to such an extent that they are universally recognized as quality brands all over the United States and even in Europe.

We are working in very closest harmony with the different cooperative associations in the world, particularly with the Cooperative Wholesale Society, Ltd., of London, England, which at the present moment boasts of over 12,000,000 members.

We have put our association upon a sound financial basis and instead of having to look for money, we have banks from all over this country asking for our account and for our paper. We feel that we have proven beyond a doubt to the wholesale trade, that an organization of farmers can market their product under a cooperative plan actually eliminating speculation from the market and at the same time keeping the price to the consumer more normal. We feel that beyond a doubt we have shown the grower that the only way in which his property and prosperity are insured, is by a cooperative association of this kind.

PACIFIC RICE GROWERS ASSOCIATION.

The growth of the rice industry in California has been one of the most remarkable in the history of the state's agricultural products. From 32,000 acres in 1915, producing 960,000 bags, plantings have increased to 140,000 acres in 1919, yielding 3,500,000 bags, having an approximate value close to \$23,000,000.

The credit for this is largely due to the formation and capable management of the Pacific Rice Growers Association. This organization was the outgrowth of a small local association at Biggs, organized in 1915. Controlling, as it did, only a minor portion of the rice acreage at that time, the result of the first year's experience proved unsatisfactory.

Responding to the request of some of the members to assist in reorganizing the association, I called a conference at which it was decided to broaden the activities of the association to cover the entire state. As the result of an intensive membership campaign of several months, the present association was finally formed, the membership increased materially and sufficient acreage was signed up to enable the association to take its place finally among the leading growers' cooperative associations of the state. The membership now numbers some 500 growers, representing many of the leading rice tracts in the state.

Before the original rice growers' association was formed, the handful of rice millers in the state could, if they desired, actually dictate prices to the individual growers. Having no choice and no other outlet, these growers were forced to take the millers' terms. Through the association, which steadily has controlled a large proportion of the crop, the growers have now become independent of the rice millers, have materially broadened the market for California rice, and because of collective action are now able to procure for their product a living price.

Owing to the fact that rice must be planted each year for three years and then alternated, no long term agreements of membership are in force, but a revised membership must be obtained practically every year. Representation on the directorate is based upon acreage by counties, all districts thus having a voice in the management.

Members' crops are sold separately, the member having the right to confirm or reject any offers made to the association. All bids are immediately referred to the owner of the rice for acceptance or rejection, the association, through its close touch with market conditions and rapid fluctuations, advising the owner as to the market price for that particular grade or quality. The member, however, by reason of his contract with the association, sells through his organization and

can not deal directly with the buyer, penalties for outside marketing being provided.

The association charges a commission fee of 5 cents per hundred pounds for its services. The surplus funds left over after paying operating expenses are returned at the end of the season to members.

That the association has materially aided the producers is indicated by the fact that where before organization producers received in 1914 approximately $1\frac{1}{2}$ cents a pound, a price less than the cost of production, after organization the first year, namely 1915, the producer received as high as $2\frac{1}{2}$ cents a pound. For the 1919 crop the growers, through the association, have received to date 5.3 cents a pound, an increase of over 221 per cent over the 1914 crop, much of this increase being absorbed in the greatly increased cost of production and handling since 1914. Without the association the growers would hardly have been assured of prices above this rapidly rising cost. Through the association they have been protected against loss, thus encouraging further and increased production. In 1914 the average retail price of this same rice was 6 cents a pound; in 1915, after organization, approximately 8 cents. For the 1919 season the average price paid by consumers of California rice was 11 cents a pound, only $83\frac{1}{3}$ per cent over 1914, and approximately $37\frac{1}{2}$ per cent over 1915.

The annual business of the association for the 1919 season is estimated at \$10,000,000, having been transacted at a cost of $\frac{1}{2}$ of 1 per cent.

The growth of the rice acreage in California can be seen from the following table:

| | |
|-----------|-------------------------------|
| 1915----- | 32,000 acres, 960,000 bags |
| 1916----- | 64,000 acres, 1,920,000 bags |
| 1917----- | 84,000 acres, 2,520,000 bags |
| 1918----- | 110,000 acres, 3,300,000 bags |
| 1919----- | 140,000 acres, 3,500,000 bags |

Further details of the last season are given in the following letter received from J. H. Stephens, President of the Pacific Rice Growers Association:

Since our last annual report our activities have, in the main, been restricted to matters of legislation and education in the general interest of the rice industry of the state. The selling season has just opened and we are busy with the marketing of the 1919 crop. It will thus be seen that it is too early to discuss details of this important work, for the season has just begun.

As is quite generally known, the 1918 rice crop was virtually taken over by the United States Food Administration and marketed through the California Rice Committee. Maximum prices were established by the Food Administration and all matters of detail were handled by the committee referred to.

During the year we have made persistent effort to have the 2-cent tariff on rice restored, and to this end have sent our attorney to Washington, D. C., where he discussed the matter with members of the House Committee on Ways and Means, and later with the acting chairman of the Federal Tariff Commission at New Orleans. It is announced that the commission will come to California at an early

date to investigate the need of the restoration of the tariff, and we are now engaged in preparing data showing the necessity for granting our request in this regard.

We have taken up with the State Railroad Commission the matter of all warehouses storing rice providing better facilities for receiving our product during the hauling season, and providing additional help and equipment for loading out. We have asked for a hearing in this important regard, and hope for early action at the hands of the Railroad Commission. We realize that to provide this betterment in service will involve increased expenditures by the warehouse people, and we have made plain our willingness to pay an increase in storage and handling rates which will take care of this situation.

Unjustly, a report without foundation was given wide circulation to a statement that our organization was preparing to put a minimum price of \$6.00 to \$7 per hundred pounds on rice of the 1919 crop. The fact is, we declined to put a minimum price on our product, despite the requests of the buying interests to do so. It is not our policy to "make" the market, but rather to let market conditions govern and protect our members in securing for them the full market price.

Since our last report we have opened branch offices at four of the big rice centers of the state—Biggs, Willows, Colusa and Woodland—for the convenience and service of our members, and now have a large force of technical rice men to protect their interests in the matter of determining grades.

The rice growers have been favored by most unusual harvesting weather, and at this writing we estimate that fully 85 per cent of the crop has been harvested. The growing weather, however, was not all that could be desired, resulting in a crop shortage estimated from 700,000 to 1,000,000 bags. This year's production from the 140,000 acres planted will be about 3,500,000 bags, possibly less.

POULTRY PRODUCERS OF CENTRAL CALIFORNIA, INC.

With the close of 1919 the Poultry Producers of Central California, Inc., is in a stronger position than ever before. The initial paid-up capital of \$10,000 with which the association commenced operations in January, 1917, has been increased to \$250,000, while the annual business has grown from \$2,382,000 for the first twelve months to \$4,500,000 for the past year. At the same time the deficit of the preceding year has been entirely wiped out. The association now handles over 50 per cent of all the eggs passing through the San Francisco market.

It is a far cry from former conditions. Under the old method the individual poultryman was completely at the mercy of the wholesale buyers who were able largely to manipulate prices on the San Francisco Dairy Exchange to their own profit. Furthermore, the poultry producer was forced to sell his eggs as fast as he produced them. He could not, like the produce merchant, store the eggs until better prices prevailed. On this account his returns were more often below the cost of production. Neither the producer nor consumer benefited from the speculative control of the produce merchants. The need of the producer was so great and so keenly realized by him that the campaign for membership conducted in the latter part of 1916 when plans were matured for a cooperative marketing association, was most successful. Organization was completed by the end of that year.

Owing to the serious lack of capital in the beginning, it was necessary to find the most economical method of selling. While the association started with a paid-up capital of \$10,000, barely half of this was available for working capital, the balance having been absorbed in organization expense.

Many considered the outlook dubious. They argued that to attempt to do a business estimated at some \$2,000,000 on a working capital of only \$5,000 was folly. To meet this situation, the plan finally chosen provided for the disposal under contract of the entire daily receipts of eggs of the association to the wholesale dealers on the produce exchange, who prorated among themselves according to their requirements. The price was determined by the daily quotations on the exchange.

In order to protect the association against manipulation and to give the members a full voice in determining the price, the association acquired a membership on the exchange with all its privileges. This is one of the most valuable assets of the association, as it places the members on an equal footing with the dealers and jobbers. Under this plan the selling expense was nominal and thus the first disadvantage due to lack of capital was overcome.

In order further to build up a working capital, provision was made in the subscription agreement for the accumulation of a reserve by the deduction of 1 cent a dozen out of the returns of each member, the

member receiving an additional share for every \$10 so deducted. By the end of the first year's operations, close to \$65,000 in capital had been paid in.

With this increase in capital, plus the experiences of the first year's operations, the association was enabled to discard the selling plan, whereby the produce dealers took over the entire output of the association at the daily exchange price, and to do its own marketing, building up its own selling agencies and developing a retail shipping and export business.

While the selling plan of the first year had certain advantages its disadvantages were many. First of these the market for the member's eggs was limited to the dealers on the exchange, while the prices were confined to the produce exchange prices. As in the past, the produce dealers reaped the fullest profits in available outside markets, to which the association was denied under its selling plan.

With the new method of doing its own selling, the association during the past two years has built up a large shipping business and is enabled to command the best market price, wherever these markets may be. It has also built up a retail business amounting to 25 per cent of the total output of the members.

Additional working capital has also made it possible for the association to provide storage facilities whereby the surplus eggs of the period of flood supply are stored, to be removed and placed on the market in the period of scant supply. By this means the association has protected the producer against the ridiculously low prices resulting from over-supply and a glutted market that spelled advantage only to the speculator. It is not to be denied that the egg dealer performed a valuable service in distribution by storing eggs in the spring for fall and winter supply. It was, however, largely at the expense of the producer.

Prices that spell unprofitable returns to producer discourage production. In the interest of encouraging and increasing production, therefore, it is essential that this storage function be utilized, preferably by the producer through the association, in order that he may at all times receive the full market value of his product.

One of the greatest dangers to the security of the organization under the association's first method of selling was the opportunity open to produce dealers to discourage membership by offering higher prices than the association could pay to its members. "Bait" of this character caused the association much hard sledding in its early days. Opposition on the part of speculators was bitter, and no stone was left unturned that would aid in disrupting the association. In some instances members were even persuaded to sell outside their contract with the association. In such cases court action was necessary to enforce the fulfillment of contracts.

In the case of almost all of the associations in California, the chief weapon in the hands of the speculative buyer has been the offer of prices higher than those obtained by the member from the association. As a rule, however, cooperative producers have realized that organization is their greatest protection and that such higher prices are merely temporary and are made for the purpose of diverting supply from the association to its ultimate ruin.

In the Poultry Producers Association the change in its method of selling has had gratifying results in discouraging the selling of eggs outside of the association and in greatly increasing the membership. Organization and access to the best markets and to the full value of the product without the limitations placed by the produce dealers on the exchange, has practically revolutionized the egg industry.

In an interesting bulletin issued recently to its members, the association states:

The fact is that the association can and does secure for the egg producer better prices than he could possibly get without it. At the same time it is equally true that the association does not and can not increase the price paid by the consumer.

What is the explanation of this seemingly contradictory statement? It is very simple. The association, through its control of a large part of the local product can and does influence local prices, but only within the limits permitted by supply and demand. These limits are set very surely and very firmly by the conditions prevailing in other egg markets, and especially in the large eastern centers. California produces only a small portion of the eggs of the United States—less than 10 per cent. Of these the San Francisco market receives not more than half or about 5 per cent, and this association a little more than half of that, or possibly 3 per cent. Is it conceivable that 3 per cent of the eggs of the country can fix the price in competition with the other 97 per cent?

Absolutely not! If the price here is high in comparison with other markets, eggs from those sections come in here and the increased supply brings down the price. If our market is relatively low, eggs are shipped out to higher markets until the demand for shipment raises our market to comparative equality with others.

Well, then, it may be asked, if the price of eggs is fixed by supply and demand throughout the entire country, how can the association benefit the producer? This also is easily answered. By cutting out to a large extent the profits of the local speculative dealer, who formerly preyed on both producer and consumer. That is the reason why this association was organized—to get the local egg business out of the control of the speculators, who manipulated the market for their own benefit, depressing the price in the spring (when it means most to the producer) so as to buy eggs cheap for storing, and boosting the price in the fall (when it means most to the consumer) in order to make a big profit on the storage eggs.

Through the association the producers are able to store their own eggs in the spring and thus to maintain the best possible prices permitted by general market conditions. In the spring months when eggs are most plentiful and prices the lowest, a few cents a dozen on the price means little or nothing to the consumer, but it means everything to the producer, because in those months the bulk of his egg crop is produced. By collective action through the association, he is able to secure a fair price, while the consumer pays no more for storage eggs in the fall than he otherwise would, since the price of storage eggs in the fall is determined by the price of fresh eggs at the same season. The speculators are the only ones who lose by the association's activities, and even they lose only to the extent that the local supply of eggs is controlled by the association.

It must be remembered that this association was organized and commenced operating during the period of abnormal conditions when prices on all feed stuffs and supplies were mounting at tremendous rates and proportionately increasing the cost of egg production. Of

all agricultural and dairy products, eggs are among those most to be affected by the high cost of supplies. It is not difficult to see what would have happened to the poultrymen on the whole had collective action not assured them of living returns. This cannot better be demonstrated than in the language of Mr. J. Ray Corliss, vice president of the association, and probably the largest egg producer in the world, as follows:

When the Poultry Producers of Central California was first organized, I didn't join. I held off because I had belonged to other cooperative concerns, like the Petaluma Egg Exchange, which had failed. I had lost money in them, and I figured that this new association would probably go the same road. I knew that a successful association was the only hope of the producer, but I didn't believe any poultryman's organization would stick.

But the second year it looked different. I saw that the Poultry Producers of Central California was organized on good business principles and was handling a large business successfully and economically. I saw that it was growing right along, that it had got capital enough to handle its business and would soon have more. I saw that the management was conservative and that the business was being developed along safe business lines.

I saw also that the stronger the association became, the more it could do for the producers, and so I decided to join and get my friends to join. We all belong now, and we are all boosters for the association because it means more money for our eggs.

I want to say this: Before I joined the association, I was offered all kinds of inducements, in the way of premiums on my eggs, by several of the jobbers if I would stay out. And this year I was offered a premium that would have amounted to \$10,000 next year if I wouldn't sign up the new association contract. But I didn't stay out, and I did sign up the new association contract, because I knew that whatever premium I got would be based on the quotations, and I knew that if the association went out of business the jobbers would make the quotations. They figured that if I would draw out of the association many others would lose confidence and follow my example, and so the organization would be badly weakened, if not completely put out of business. And that's the last thing I want to see.

I have been in the chicken business sixteen years, and up to the time this association was organized, I never made any real money; I never got anything like a fair return for my labor and investment. The jobbers used to manipulate prices so that there was nothing in it for the producer. When we kicked, they told us, "Well, you've got a home; what more do you want?" And that's the way they looked at it. If we had a home and enough to eat, so that we could go on producing, that was all there was coming to us. All the profit in the business they figured belonged to them. They kept us working for them, instead of for ourselves.

The way they did it was by manipulating the prices on the Dairy Exchange. They could do that easily then because we producers had nothing to say about it; we just had to take whatever price they fixed. They used to make a very low price from February to June, when we produce 70 per cent of our eggs, so as to get eggs into storage cheap and make a big profit selling them in the fall. Then, when the storage season was over, they would keep the price down the rest of the summer so they could make more profit shipping our eggs East and to Alaska and elsewhere. About three months in the fall they would boost the price up so as to be able to sell their storage eggs at a high price and make a big profit on them. Then, after the storage eggs were cleaned up, the price would come down with a run. I remember one year, right after New Year's, the price was dropped 23 cents in a few days. They always put it down just as quickly as possible, so they could escape losing money on the falling market in January and February and could make money instead by shipping our eggs East. No matter how hard the producer worked, he couldn't make any money; the commission man got all the profit.

Four years ago, as a result of all this, the Petaluma poultrymen were in a very bad way. They couldn't pay their feed bills and those who could sell were selling their places and going out of the business. You could buy good, well-equipped poultry ranches for a song. People were coming to me, two or three a day, begging me to buy their hens because they wanted to get out of the business. I bought lots of good laying stock—hens and pullets—for \$6 and \$7 a dozen. The feed men were up against it; they had thousands and thousands of dollars on their books that they didn't

know if they would ever collect or not. The prospect looked pretty blue, and the whole community was in a bad way.

The association cuts out the speculative profits by stabilizing the market and giving the producer a say in fixing the price of eggs. It puts the money into the poultryman's pocket instead of the speculator's. It gives the producer fair pay for his work and a fair interest on his investment.

One of the greatest advantages has been the grading of eggs. This has established a reputation for the association eggs throughout the United States and chiefly in the Eastern markets, where California eggs are in great demand.

This would never have been possible through the individual method of selling where the speculative buyer was enabled to enhance his profits by manipulation rather than by creating confidence in the product. That the Poultry Association has established the confidence of the trade is indicated in the following article recently printed in the New York

Produce News:

A very strong evidence of the value of cooperative egg marketing is to be found in the California white egg product packed by egg producers' associations of that state, and of which fairly constant supplies have been arriving in the New York market for some time past. These eggs are remarkable for their excellent fresh quality, for the usual perfection of the packing, for their reliable uniformity, and especially in respect to the goods from the Petaluma district, for the satisfactory grading. They have found high favor in the distributing trade of this city and have evidently built up the especial reputation for the white egg among consumers as a reliable product at times when new-laid egg quality is hard to get. These California white eggs put to shame the rank and file of the nearby white egg product marketed individually by the producers, most of whom do not get enough to induce a proper grading, or to permit shipments frequent enough to insure uniformly new-laid quality.

The marked success of the California system of associative collection, grading, packing and marketing should attract attention in other sections of the country where poultry culture is of importance and the yield large per unit of area. The Review has reason to believe that steps to develop associative poultry culture and egg production are being taken in sections of the southerly wheat belt, where waste grain in the straw stacks can thus be most effectively saved. There is doubtless opportunity here for a large and valuable development.

The growth and accomplishments of the association of the past year, together with the outlook for the future, are indicated in the annual statement of J. H. Barber, general manager of the association, as follows:

GROWTH OF BUSINESS.

Though the association was incorporated in October, 1916, it did not begin business until January 29, 1917.

During the first year of operation, ending January 31, 1918, we handled 213,532 cases of eggs, which sold for \$2,382,444.23. After deduction of transportation charges, 2 cents a dozen for selling cost, and 1 cent for capital stock, the net amount paid to the members in cash was \$2,170,626.26. This was an average of 34 cents a dozen net for all eggs of all grades.

In the second year, ending January 31, 1919, we received 270,313 cases of eggs and sold them for \$3,712,523.17. The net returns to the members totaled \$3,425,717.91, which averaged 42½ cents a dozen, net cash, for all eggs of all grades.

For the seven months from February 1, 1919, to August 27, 1919, we received 228,667 cases of eggs, which sold for \$3,055,337.31. The cash returns to the members were \$2,814,737.00, an average of 41 cents a dozen, net cash, for all eggs of all grades during the seven months.

The amount of eggs handled in 1918 was 26 per cent more than in 1917, and the amount of money received for eggs was nearly 56 per cent more. The total cash returns to members increased 58 per cent.

Comparing the seven months' record of 1919 with the same period of 1918, we find that our egg receipts this year have so far exceeded those of 1918 by 15 per cent, while the increase in money received is 30 per cent.

These comparative figures show very clearly the growth of the business in these three years.

This plainly appears also from the increase in the proportion of the San Francisco egg receipts handled by the association. In 1917 we had 30 per cent of the entire amount of eggs received in San Francisco for the twelve months. In 1918 we had 41½ per cent, and for the seven months of 1919 we have averaged 51 per cent of the total eggs and 53 per cent of the California eggs received at San Francisco. (There were some 23,000 cases Eastern, Chinese and Australian eggs received here between February 1 and September 30, 1919.)

CAPITAL STOCK.

The amount of capital stock accumulated from original subscriptions and from the 1 cent per dozen deduction on egg shipments amounted to \$234,710.13 at the end of August, when the stock books were closed for the annual meeting by order of the board of directors.

This amount comprises 22,383 complete shares and \$10,880.13 balances to the credit of members towards additional shares.

It seems certain that the total issue of \$250,000 stock will be paid up before the end of this year.

OPERATING EXPENSE.

As we well know, the cost of doing business increased considerably in 1918, and still more in 1919, but the increase in the volume of business kept pace pretty well with the increasing costs, so that 1918 showed only a slightly higher operating expense per case, and in 1919, from February to August, inclusive, the expense per case was actually a trifle less than for the same period in 1918. The actual figures are as follows:

Operating Expense per Case.

| | |
|---|-------------|
| First year—January 29, 1917, to January 31, 1918 | 25.44 cents |
| January 29, to August 31, 1917 | 22.18 cents |
| Second year—February 1, 1918, to January 31, 1919 | 27.8 cents |
| February 1 to August 31, 1918 | 24.7 cents |
| Third year—1919, incomplete. | |
| February 1 to August 31, 1919 | 24.6 cents |

Figured as a percentage of the total sales, the operating expense shows a substantial decrease each year:

Operating Expense Per Cent of Sales.

| | |
|---|---------------|
| First year—January 21, 1917, to January 31, 1918 | 2.28 per cent |
| January 21 to August 31, 1917 | 2.31 per cent |
| Second year—February 1, 1918, to January 31, 1919 | 2.0 per cent |
| February 1 to August 31, 1918 | 2.09 per cent |
| Third year—1918, incomplete. | |
| February 1 to August 31, 1919 | 1.84 per cent |

CASES AND FILLERS.

The cost of cases and fillers has steadily increased since we began business. In 1917 the average cost per case was 30.88 cents; in 1918 it was 36 cents, and in 1919 to August, 44 cents.

Had the cost of cases not advanced, we would have had a large surplus saved out of the 2 cents a dozen each year, which would have been returned to the members as a dividend. We have kept well within the original estimate of 1 cent a dozen for operating expense, but the 1 cent estimate for cases and fillers, which was ample when fixed in 1916, has been largely exceeded because of the continued advances in the price of lumber, strawboard, nails and labor.

ASSETS AND LIABILITIES.

The following is a detailed statement of the assets and liabilities of the corporation on August 30, 1919:

Assets.

| | |
|--|---------------------|
| Cash in banks | \$10,443 06 |
| Liberty bonds | 5,000 00 |
| Treasury stock | 4,940 00 |
| Eggs on hand and in storage, partly contracted | 315,373 39 |
| Accounts and notes receivable | 133,646 03 |
| Claims against railroad and express companies | 69 56 |
| Telephone and water deposits | 7 25 |
| Deferred charges (taxes, etc., prepaid) | 1,267 85 |
| Cases, fillers and other supplies | 12,918 43 |
| Stationery and office supplies | 150 00 |
| Liberty bonds deposited on storage contracts | 250 00 |
| Furniture and fixtures | 4,418 04 |
| Ford cars and truck | 2,123 96 |
| Warehouse improvements | 2,770 38 |
| Deficit | 14,079 75 |
| Total | \$507,462 20 |

Liabilities.

| | |
|-------------------------------------|---------------------|
| Capital stock paid in | \$234,710 13 |
| Deposits on storage contracts | 12,326 50 |
| Accounts and notes payable | 253,795 37 |
| Reserve for depreciation | 5,674 77 |
| Reserve for bad accounts | 363 09 |
| Retail sales cost account | 592 34 |
| Total | \$507,462 20 |

DEVELOPMENT OF BUSINESS.

During the past year the development of the association's business has proceeded along three main lines: Distribution of eggs to retail dealers, hotels and restaurants in San Francisco and the East Bay cities; packing of eggs for storage in the spring; development of outside markets for our California eggs.

We have had in mind two ruling ideas:

First, to establish a reputation for association eggs as the very best on the market.

Second, to stabilize the local market by removing from it the surplus which in the past has enabled speculators to manipulate the market for their own profit at the expense of both producers and consumers.

In carrying out the idea of standardization, we have improved our package, using a stronger case and better grade of fillers so as to reduce breakage. We have adopted a standard carton with the brand of the association. We have insisted on strict grading, according to the recognized trade standards, and have labored to impress the members with the necessity of this in order to gain the entire confidence of the trade in the quality of our product and thus to secure preference on the market and better prices. There is still much to be done in the way of educating some of the members to take better care of their eggs so as to produce a high class product which will be a credit to the association and which we can recommend to buyers with the utmost confidence.

In stabilizing the local market we have aimed to reduce our sales on the Dairy Exchange by developing other outlets for our eggs. Since the sale of the surplus on the exchange is what determines the market, it would appear that reducing the surplus must inevitably tend to improve the market. In this connection we have worked to increase our sales to wholesalers outside of the exchange, as well as to the retail trade. During the period of rapidly increasing production and consequent falling market in January and February we have shipped carloads of eggs East so as to reduce the accumulation of surplus eggs here and prevent a difficult situation from becoming worse. In the flush season of the spring months we have sold large amounts of storage packed eggs in carload lots at an advance over the market price and have also stored for our own account a reasonable quantity to supply local needs in the fall season of scarcity.

By these means we have prevented the demoralization of the market which speculators have always sought to bring about for their own profit at the expense of the producers. We have thus been able to maintain fair prices so that producers could make a decent living. This, in turn, has benefited consumers by encouraging the production of eggs, which otherwise would have greatly declined on account of the high cost of feed and labor and of everything that the poultryman and his family themselves consume.

During the entire year we have constantly sought outside markets whenever there was a prospect of better prices elsewhere, and by thus keeping the surplus moving out we have been able to stabilize conditions to a considerable extent and to secure the best prices consistent with supply and demand. Since October 1, 1918, we have shipped to other markets 65,355 cases of eggs, or about 23 per cent of our total receipts.

The establishment of an agency in New York, the opening of a store in Oakland, and the addition of a sales manager to our working force are important steps taken during the past year to increase the direct distribution of our product.

Without doubt organization has proved the solution for the difficulties of the poultry producers. The agreement under which the members have been operating through the association terminates with this year and a new agreement has been submitted to the producers.

Certain changes have been made: among them the right of the member to cancel his contract at the end of each year by giving sufficient notice. Under the former contract the member disposed of his product for three years through the association. Under the new agreement the flat charge of 2 cents a dozen for selling costs, including case and fillers, has been changed to provide for a selling charge of 1 cent a dozen to be deducted, plus the cost of case and filler, whatever that cost may be. This has become necessary through the unusual increase in this item of expense. No deduction is made under the new agreement for capital stock since the required capital stock of \$250,000 has already been completed.

POULTRY PRODUCERS OF SOUTHERN CALIFORNIA, INC.

Poultry producers of California have been organized to form two separate cooperative marketing associations along natural, geographical lines. In this way the solution of egg marketing problems has been facilitated since San Francisco and Los Angeles constitute the principal egg markets of central and southern California respectively under conditions peculiar to each.

The southern section was organized under the name of the Poultry Producers of Southern California, Inc., in the latter part of 1916, with offices at Los Angeles.

Although the producers' agreements of both the central and southern bodies were primarily alike, the latter organization adopted a selling policy that differed from that of the Poultry Producers of Central California, Inc., in that the eggs of members were marketed under special arrangement with one commercial firm, direct to any and all buyers, rather than under contract through the wholesale produce merchants alone.

The association also discarded as inimical to the growth of the membership, the policy of the central California body of deducting 1 cent a dozen from returns to members on their eggs in order to accumulate active working funds.

The first year's operations were thus commenced with a paid-in capital of only \$6,000 reduced by reason of organization expenses to actual available working funds of barely \$3,000. From this the association has now grown to a virile cooperative organization with a paid-in capital of close to \$50,000 and handling a business for 1919 of close to \$1,500,000.

The early capital difficulties were fortunately overcome, however, through arrangements with a local brokerage firm of well established integrity, to dispose of the eggs on a commission basis, the firm to finance the year's operations.

A ready-made sales organization was thus utilized to the advantage of the producers and at nominal cost.

Having adopted a policy of selling through this arrangement, direct to all comers, the keen opposition of competing dealers was aroused. In its efforts to break up the association, this opposition succeeded to some extent in retarding the acquisition of new members, and in causing the defection of many of the weaker members who, because of tempting offers of high prices, were persuaded to violate their contracts with the association.

Had the association not taken prompt legal action to enforce its *contracts* and the payment of penalties provided in its agreement, it

is safe to say that the association would most probably have disintegrated, just as many other cooperative movements have failed in the past through the lack of sufficiently ironclad marketing agreements with members by which deliveries are made compulsory.

Such agreements are absolutely necessary, since without provision for penalties in the violation of agreement to deliver to the association, the latter is dealing, as it were, with a rope of sand, its supply undependable and its membership at the mercy of enemies only too glad to avail themselves of this weakness to bring about the gradual disintegration of the association, to the great detriment of the producers and consumers.

Once back to the former chaotic and unscientific marketing system, the temporary high prices offered by the dealers in order to bring about the dissolution of the association would give place to low prices, the producer and consumer alike again being subject to the fluctuations and manipulations of a market controlled by the speculative dealers.

This is readily apparent since the dealers, having no interest in greater production, nor in a stabilized market, are concerned only with increased profits. Although in a disorganized industry the producer suffers from low prices for the most part below the cost of production, as in the case of the poultry producers in the past, the consumer fails to receive the benefit but pays the full price induced by speculation and manipulation.

In the cases brought into court to compel fulfillment of contract, the defense claimed the association to be in the nature of a monopoly and thus against the public interest.

In awarding judgment in favor of the association, Judge Dana R. Weller of the superior court of Los Angeles, among other things, stated that he was "satisfied the purpose for which the corporation was formed was not to create a monopoly but to stabilize the production of eggs for the purpose of serving the public and in the interest of both the consumer and producer."

The effect of this favorable decision, practically sustaining as it did the cooperative marketing movement among producers as being beneficial to producer and consumer alike, was soon noted and the hands of the association were materially strengthened.

From that time on the association has made steady headway, so much so in fact that in submitting its new contract to members at the close of the original three-year agreement which terminates December 20, 1919, over 90 per cent of its members signed the new contract by October 1 of this year.

For the first time in the history of the poultry industry of southern California, poultrymen through cooperative action for collective marketing actually realized a profit on their investment in 1918.

This is made apparent in a letter to the San Francisco Bulletin from Mr. F. D. Cornell, a cost accounting expert, whose careful, disinterested investigations into costs, for the first time so far as is known, made it possible to determine the actual average cost of producing eggs in southern California. Complete charts and data compiled by Mr. Cornell are given in my preceding annual report.

In the course of his investigations, the results of which have given a true reflection of the industry, Mr. Cornell has found that the poultryman in the southern part of the state has lost on each hen owned by him 22.7 cents in 1915; 9.3 cents in 1916, and 12.44 cents in 1917, or an average loss of 15 cents per hen per year for the three years.

Had this condition continued, it is apparent that the poultry industry of the state would soon have been destroyed.

Rather it has prospered as it should. The producer is now more nearly aware of his costs and is assured of the reasonable profit on his investment and operations to which he is entitled. In addition, the industry is firmly established.

In his letter Mr. Cornell writes, among other things, as follows:

Briefly, the study proves that the average poultryman, measured by business standards, has lost money every year excepting 1918, and in that year the average poultryman made a profit which shows a return for three hundred and sixty-five ten-hour days of \$786. He received in 1918 \$4.60 for the product of each hen, or 46 cents per dozen, and paid out \$3.81 for the maintenance of that hen. In relation to food value and desirability the producer received less for eggs than the producer of any other food staple.

In the spring and summer months 70 per cent, and in the fall and winter months 30 per cent of the annual egg crop is produced. Consumption should be constant; therefore, to avoid a glut in the spring and a famine in the winter, storage must be resorted to. Extremes in the market, low or high, are disastrous to the producer and the consumer, because extremes permit of manipulation and speculation. The market price of eggs should move in sympathy with and no more radically than general commodity prices. No private agency is interested in so stabilizing the market, and this function is necessarily a cooperative one on the part of the producers or a governmental one.

The industry has benefited greatly through access to storage which, without unified action, would not have been possible to the producer.

By placing eggs in storage in flood periods, when the supply has been too great for consumption, the price has thus been prevented from going below the cost of production. Likewise in famine periods, such as fall and winter, when production is light, prices have been prevented from going to the unreasonable heights incident to lack of supply and increased demand, by withdrawing the eggs from storage and placing them on the market. In this way the market is stabilized in the interest of both producer and consumer.

For the first time in the industry, also, a grade has been established that has maintained the standard insisted upon by the organization.

Eggs are packed at the plant operated by the association, are properly handled and made to conform to the standard. In this way a reputation has been created for the California eggs that has brought for them the highest market prices.

The handling of the association's business for 1919, which, up to October 1 had amounted to \$1,250,000, was transacted at a cost per dollar of only .048 cents. It is safe to say that under disorganized conditions this cost, before the product reached the consumer would individually have been much greater.

A complete review of the activities of the association is given by Secretary L. A. Brooks, as follows:

In submitting to the State Market Commission a report of the operations of this association for the current year, any statement contained therein will necessarily be confined to the experiences of the first nine months of the year. We deem it proper, therefore, to preface such a report with a summary of the association's activities for the year ending December 26, 1918.

During 1918 we marketed two and one-half million dozens of eggs for more than 400 members, and paid them therefor an amount in excess of \$1,000,000. Although our marketing agreement provides for a deduction of 2 cents per dozen eggs to cover the operating expenses of the association, our actual operating expenses for the year were less than 1½ cents per dozen. We were, therefore, able to return to members a substantial saving at the end of the year, by reason of our low cost of operation.

During the storage season we stored more than 40,000 cases of eggs, all of which were released for consumption during the period when production was insufficient to supply the demand. The fact that this volume of storage business was handled with an average capital for the year of approximately \$15,000 should convince even the most skeptical that the poultrymen are capable of successfully conducting their own business.

At the end of the year the amount of capital stock paid in was \$25,000, which, together with a surplus of a little more than \$20,000, enabled us to start the current year, the third of our existence, a little more strongly entrenched financially, and with a valuable experience of two years in the marketing of our members' product.

Egg production in southern California is heavier this year than it was last and, as a result, our system of distribution has been put to a greater test than ever before. Early in our marketing experience we established in this and other markets an enviable reputation for our eggs. We established a standard in the beginning, and it has been rigidly maintained. Our grading invariably conforms to that standard, and, as a result, both local and outside buyers know what they are to receive when they contract for our eggs. As striking evidence of this fact, we have been frequently called upon to prepare shipments of eggs in carload lots to Eastern markets, after the purchaser has indicated the grade desired, and in most every instance, payment has been received for the eggs before the car has left our tracks.

During the first nine months of 1919 we prepared for shipment to New York more than 6000 cases of eggs, and, without a single exception, these eggs upon arrival at their destination have been classed as the best in the market. Almost every week we receive communications from Eastern dealers, requesting an opportunity to handle our eggs. In this connection it might be said that it has not been the purpose of this organization to keep shipments moving continuously toward the East, but to limit these shipments to the actual surplus produced in this locality. In other words, we have sought to supply the local market first. While ours is a producers' organization, owned and operated by and for poultry producers, we fully realize the importance to the producer of a stable market, a market which will yield him a fair return for his labor and investment and yet assure the consumer of a product of superior quality at a price commensurate with the cost of production.

Our retail business last year was a very important feature of our operations, and the current year will show a marked increase in the volume flowing through

retail channels. We contemplate a further development of this branch of our business, with a view to placing our product more directly into the hands of the consumer. The retail dealer is eager to obtain eggs which he knows will satisfy his customers, and the same care which has characterized our packing for outside shipments is exercised in preparing eggs for the retail trade.

Our remarkable growth is demonstrated by our ever increasing number of shippers. Our list of active members on October 1 showed an increase of 30 per cent over the list of the same date last year, while our receipts in the aggregate showed an increase of 46 per cent for the same period.

Our present marketing agreement terminates with the end of the present year, and we have recently submitted to producers a new form of agreement, to become effective January 1, 1920. Our past experience enabled us to make some improvements in our marketing contract, and the new agreement has met with enthusiastic approval from members, old and new. While the term of our present contract is three years, with no withdrawal privileges, the new agreement is for a period of five years, with the privilege of termination at the end of any calendar year. On October 1 more than 90 per cent of our active members had signed the new contract, which fact in itself is gratifying recognition of the value of our marketing plan and an admirable endorsement of the character of service rendered by the organization. A large number of new members have also signed the agreement and additions are being made to our membership lists every week.

During the year we have created a new department for the cooperative buying of feed and supplies. Members may buy poultry feed and supplies through this department at wholesale quotations, less the cost of operating the department. This is a service of vital importance to the producer, and particularly so since the price of poultry feed has advanced to a point where careful buying is imperative. The power of cooperative buying has not only placed the poultryman in position to obtain his supplies at wholesale prices, less a small service cost, but has enabled him to secure more favorable consideration from his local dealer in making miscellaneous purchases. The dealer, realizing the poultryman's ability to buy through his organization, is disposed to offer him merchandise at prices based upon the cost thereof. Any member is entitled to enjoy the privileges of the supply department without charge, other than his pro rata (determined by the ratio which his total purchases bear to the total purchases made by all members through the department) of the actual operating expenses.

Following repeated requests of stockholders, the directors undertook for the season just past the marketing of broilers produced by our members, and during the season the organization handled approximately 60,000 broilers. Our aim in marketing broilers, as in marketing eggs, was to assure at least some degree of stability to the local market and our success in this direction has not been questioned. For the first time in the history of the poultry industry on the Pacific Coast, the Los Angeles broiler market in 1919 compared favorably with the market in Petaluma and other Pacific Coast poultry centers. Shipments in carload lots to Eastern points enabled us to pay the full market price for all broilers delivered, and, in addition thereto, we returned to the members participating in broiler deliveries a modest profit on operations.

The total amount of capital stock paid in as of October 1, 1919, was \$45,204.06. Our volume of business for 1919, up to October 1, was \$1,101,355.39. Our receipts for the same period totaled 2,331,220 dozens of eggs. The foregoing figures would indicate a volume for the current year of nearly \$1,500,000. The indication would be also that by the end of the year approximately one-half of our authorized capital stock (authorized \$100,000), will be paid.

CALIFORNIA ASSOCIATED OLIVE GROWERS, INC.

The California Associated Olive Growers, Inc., was organized in 1916. Its membership numbers approximately 200 olive growers, representing an annual business for 1919 of \$150,000. Through the association the California ripe olive has become popularized throughout the United States and has done much to spread the fame of California fruit products. While these olives are in demand practically the world over, the crop up to recent years has been exceedingly unprofitable owing to its unusual heavy cost of production and processing.

Because of these conditions, many of the growers became discouraged, but with the aid of this Department the organization was perfected and collective processing and marketing was resorted to with the result that the industry is now upon a firmer foundation than ever before. While the association has not been free of the many difficulties facing a new and untried organization, these have been surmounted, and under the efficient methods now in force, including the erection of two modern processing plants, proper facilities for the marketing and processing at the lowest cost possible have been provided.

Finding it advantageous temporarily to dispose of the entire crop in the raw state, under contract, the association has leased the two plants for a period of two years, to the purchasers of the crop, who are processing by dry salt methods into Greek or Italian style olives. The association is thus relieved of the expense and difficulties involved in the undertaking, while at the same time members are assured of a known price. This contract terminates this year.

Of the more recent activities of the association, President L. Crichton writes as follows:

As for the California Associated Olive Growers, we are glad to be able to report continued progress. The quantity of olives delivered by our members last season for processing in our plants at Lindsay and Oroville showed an increase of 250 per cent over the tonnage handled the previous year and the net price realized brought substantial cash returns to our growers.

It is gratifying to know that the many problems that originally beset the operations of processing and marketing are gradually being successfully solved, and that, as a result, the processed ripe olive is rapidly coming into its own as a food product of outstanding merit.

Each succeeding season, of late, has brought increased demand, until today, though partly owing to an under-average crop, the demand greatly exceeds the supply—a condition of material advantage to the grower and a strong stimulus towards the extension of the industry at large.

As proof that its future is now assured, it may be noted that the majority of the large packing corporations have now added the ripe olive to their other lines to be distributed as a staple amongst the peoples of the earth and thereby adding lustre to the name of California as the fruit garden of the world.

In anticipation of the changed conditions and new problems that are bound to follow the advent of this era of prosperity now in its dawning, and realizing that these can best be met by strong cooperative effort, this association is now working out plans for greater flexibility in its organization with a view to a considerable increase in membership and consequent added strength in the promotion and maintenance of the welfare, not alone of its members, but of the industry as a whole.

CENTRAL CALIFORNIA BERRY GROWERS ASSOCIATION,

Berry growing in California, from a hazardous and more or less unprofitable industry, is rapidly becoming well established, so much so that California is practically the only state in the union where production during the last few years has increased. This has been accomplished mainly through organization.

In 1916 I was visited by a group of berry growers who reviewed with me the unsatisfactory marketing conditions under which the industry as a whole was operating.

The chief outlet to berry growers adjacent to San Francisco Bay was in consigning their strawberries to San Francisco commission merchants, surplus supplies going to canners.

Under this system commission merchants were at liberty to sell at any price they saw fit, there being no downward limit on prices. Because of the particularly perishable nature of the product, merchants as a rule were eager to dispose of these consignments, resulting in prices most often so low as to return to the grower proceeds less than the cost of production.

Thus, under the method prevailing, through the commission merchant's fear of left-overs, the berries of one grower were used to undersell those of his neighbor. These left-overs, whenever occurring, were finally sold to canneries at prices ruinous to the growers.

It was necessarily in the interest of consumers as well as producers, therefore, that some vital action be promptly taken to substitute for the existing unscientific methods, an efficient plan that would assure to the grower his cost plus a living profit and thus aid in perpetuating the industry.

After numerous conferences a plan of cooperative organization was adopted, nonprofit in character, that became effective in April, 1917. Before the close of that year over 80 per cent of the berry acreage tributary to San Francisco had been signed up.

While the association was first designed principally to handle strawberries, such was its success it soon became necessary to include other berries, all of which the association continued to sell through commission houses.

Inasmuch, however, as San Francisco and Oakland markets were unable to absorb all the berries produced by members of the association, it became necessary to dispose of a certain percentage of the crop to the canneries.

It was determined, therefore, that all berries unsold on the market by 9 a.m. would be turned over to a cannery. In this way further losses through the rapid deterioration of the perishable fruit was avoided.

All berries were properly graded and standardized. This, together with the elimination of left-overs, assured consumers the freshest and best stock daily. At the same time, after the first year's operations it was found that no appreciable burden of higher prices had been placed upon the public by the foregoing measures, although producers invariably received returns more nearly representing to them a profit on their year's operations, something to which they had been unaccustomed in the past.

It is estimated that during the year prior to organization, strawberry growers received from \$2.50 to \$5 per chest of 60 pounds each, at an average price which spelled a loss to the producer, while that same year consumers paid at the rate of \$6 per chest. As the result of the first year's operations, the organization was able to show average net returns to the members of \$5.40 per chest or an increase of 44 per cent over the unorganized period. At the same time consumers had paid for that year prices ranging from \$6 to \$9 per chest, an average of \$7.50 per chest, or an increase of only 25 per cent over the year before. The increased price to the berry grower was absolutely essential, because his industry was unprofitable. Had he been unable through organization to get a better price, many growers would have been forced out of the business and the acreage would have been cut down as in other states, to the ultimate injury of the consumer.

Where, before organization, the average spread between producer and consumer was at the rate of \$2.25 per chest, the year following organization it averaged at the rate of \$2.10 a chest.

The association now represents 239 growers in Santa Cruz, Monterey, San Benito, Santa Clara, Alameda and San Mateo counties. During the year 1919 it has handled a business of \$1,500,000 at a total cost of less than $\frac{1}{3}$ of 1 per cent.

During the early berry season of the past year, owing to the greatly increased demand and rising costs, prices rose throughout the trade. As a result, some criticism was made by the opponents of the association relative to its methods, charging that minimum prices had been fixed, regardless of the consumer's interest. A so-called "boycott" was also reported in some quarters against berries of the association.

Investigation was immediately made by the State Market Director's representative on the board of directors of the association, who reported to me as follows, thus disposing of the comments:

The association has not been fixing minimum prices on strawberries, for the reason that the general selling price was ample to guarantee the grower a reasonable profit.

The opening price on strawberries offered by canners this year was 10 cents per pound net to producer, as compared with 7 cents last year. Later in the season the demand grew stronger, and the canners voluntarily raised the prices to as high as 14 cents per pound net to the grower, for field run, unpacked strawberries.

The dealers who instigated the so-called boycott were not regular strawberry retailers, but should be classed as semijobbers. These men confined their activities as applied to strawberries, to supplying hotels and restaurants particularly, or such retailers as do not have a representative in the commission district, as do the ordinary retailers. It is customary for these subjobbers to go to the commission houses in the morning and purchase 25 to 50 chests of berries each, usually selecting the best quality, and actually purchasing at what they call quantity prices—which is usually from 50 cents to \$1 less than the average going price to the retailer. When shipments are sufficiently large, it is plainly seen that it may be an advantage to allow these men to have 25 to 50 chests per day early in the morning, thereby stimulating the market, but when shipments fall off, and the total receipts in the San Francisco market are less than 500 chests per day, as was the case last week when the so-called boycott was started, none of the commission men felt justified in sacrificing the best part of their business early in the morning, at a price less than was generally offered by retailers. Therefore, the supply to these jobbers was cut off, and they, and not the retailers, were the ones who instigated the boycott—which was by the way, short-lived. With five or six canners on the market offering from \$10 to \$12 per chest for strawberries, no boycott could be successful.

The advance in prices offered by the canners this year over last year is due to several legitimate causes. First, the country going dry, stimulates a demand for drinks of a different nature, many of which are based on fruit and berry juice. The soda fountain trade—which requires large quantities of fresh fruit, especially strawberries—has been greatly stimulated. Wholesale markets in the East were bare of canned and glassed fruit. The European markets were opened with a strong demand for this line of goods. The fact that the total strawberry acreage in the United States has been decreased from 108,000 acres in 1916 to a total of \$59,000 acres in 1919, and that California and the Pacific states are the only ones to have increased their acreage; the canneries being unable to obtain berries in the Eastern and Southern districts, have been obliged to fall back on the Pacific Coast for these supplies.

My investigation of the entire situation, I feel, proves present prices of strawberries to be caused by a greater demand than there is supply to fill it; and not due to the fact that the growers have been organized. The association, as I see it, is capably and carefully managed, and I do not believe anyone could criticise the conduct of the directors or the management.

It is seen from the foregoing that the strawberry acreage in the United States has decreased 40 per cent since 1916. This was doubtless due to the fact that the strawberry growers elsewhere had suffered from the same demoralizing results that prevailed in California before the growers were organized. That is, they were unable to make a living because of unscientific marketing conditions. What the association in California has done for the producer is that by stabilizing marketing conditions it has changed the industry from an unprofitable to a profitable one and has kept the producer producing, greatly stimulating further production, since the acreage has materially increased here and will no doubt continue to be increased.

Without the association, strawberry production, in the face of rising costs, would, as elsewhere, have diminished. Consumers would have been less able to obtain fresh strawberries, because with diminished production, the supply would have been insufficient for the canners alone. The consumer, therefore, would have been forced to pay far higher prices than those recently paid. On the other hand added *income has accrued* to the state by virtue of the increased strawberry *canning business* now made possible by such increased production,

thus creating increased employment for cannery workers at the highest wages in the world paid for that class of labor.

The following is an account of the season's activities, as presented by F. M. Wit, general manager of the association:

The members of this association number 239, of which 222 were active during the present season.

Our membership is confined to the following counties: Santa Cruz, Monterey, San Benito, Santa Clara, San Mateo and Alameda, controlling about 95 per cent of the strawberries and 55 per cent of the bush and vine berries produced in said counties.

Total acreage controlled by the members of the association is as follows:

| | Straw-berries | Logan-berries | Black-berries | Rasp-berries |
|---|---------------|---------------|---------------|--------------|
| Acres ----- | 1,022 | 164 | 149 | 168 |
| Increase over 1918..... | 291 | 53 | 40 | 5 |
| Total increase in acreage over 1918, 389 acres. | | | | |

In San Francisco, Oakland and San Jose the members of the association made sales as follows:

| | Straw-berries | Logan-berries | Black-berries | Rasp-berries |
|---|---------------|---------------|---------------|--------------|
| Sold on open market, 60-pound chests..... | 70,072 | 7,262 | 10,305 | 6,564 |
| Direct to canners, 80-pound chests..... | 28,756 | 2,264 | 3,277 | 35 |
| Reduced to 60-pound chests..... | 108,413 | 10,281 | 14,674 | 6,611 |

Direct sales to canners on strawberries opened at 10 cents per pound net to the grower for field run, but as the season advanced, the demand by canners increased to such an extent that these prices were freely raised until towards the end of the season the growers were receiving 14 cents per pound net, while a few small sales to ice cream manufacturers went at 15 cents for selected stock.

Blackberries to canners sold at an average of 8 cents per pound and loganberries at an average of 9 cents per pound.

In addition to these direct purchases, various canners and preservers bought large quantities of berries on the open market, making an estimated total of 40 per cent of our entire crop purchased by canners and preservers, this being double the percentage sold for canning purposes during the year 1918, and about four times the tonnage sold for canning and preserving in 1917.

On the open market prices for strawberries ranged from \$10.50 per chest to \$18 per chest, said prices being a direct result of insufficient supply to meet exceptionally heavy demands for berries, or, in other words, based entirely on the law of supply and demand.

ASSOCIATED DAIRYMEN OF CALIFORNIA, INC.

Steps were taken toward the improvement of the dairy industry in California in the year 1916 shortly after my appointment as State Market Director. The difficulties of the dairymen were brought to my attention in that year by representative producers of the northern part of the state. I found that the industry was in a chaotic condition and that dairymen throughout the state were rapidly becoming discouraged, on the one hand because of the poor returns, and on the other because of the steadily increasing costs of operation.

A survey made by this Department developed the fact that the prevailing prices paid to dairymen for their milk products were below the cost of production. The outlook for the future appeared exceedingly dark, unless some action were taken promptly.

It was also a foregone conclusion that as dairymen became discouraged, broke up their herds and dropped out of the business, the milk supply would be steadily lessened, resulting in the greater cost of milk to ultimate consumers, and of dairy products such as butter and cheese.

While abortive efforts to organize for better marketing had been made by groups of dairymen at different times, these efforts for the most part had proven unsuccessful.

In the southern part of the state a small number of dairymen had already organized what is known as the California Milk Producers. Dairymen supplying San Francisco and those of other districts were also in favor of organizing. By March of 1916 the organization of the Associated Milk Producers, Inc., supplying San Francisco, was completed, followed shortly by the organization of the Northern California Milk Producers Association, supplying the territory surrounding Sacramento. Other districts followed in rapid succession and by September, 1917, various units were federated in an organization known as the Associated Dairymen of California, Inc. This association now represents, through the various locals, some 8000 milk producers.

While each unit continues to deal with its local problems, to market its milk, and to construct plants for the manufacture of milk by-products, the state association deals with the broader problems of marketing and provides the medium through which the locals find outlet for the sale of all by-products. The state organization also provides a supply medium through which the locals may purchase supplies at greatly reduced prices.

From a thoroughly disorganized industry, dairying under collective *marketing has rapidly become one of the most stabilized industries in the state.*

If the former unsatisfactory conditions had continued without organization, at the present time there is little doubt but that with the tremendous increase in costs of feed stuffs and labor, herds would have materially reduced with consequent increases in retail prices. Even with organization under way in 1917 conditions were so discouraging to producers that many dairy herds were broken up and sold. The records show that 597,000 milk cows in California in 1917 were reduced to 561,000 milk cows by the close of 1918, a reduction in the herds of 36,000 milk cows, or more than 6 per cent.

At the present time the plants of the different units are producing butter, sugar of milk, cheese, powdered skim milk, albumen and casein, all of this representing in most cases products made chiefly from the surplus whole milk over and above the amount supplied to neighboring cities and towns.

The necessity for manufacturing plants owned by the dairymen themselves is apparent. Originally the dairymen were of three classes: First, those supplying cities with whole milk; second, those separating milk and shipping the cream to privately owned creameries, while feeding the skim milk to hogs, calves, etc.; and lastly, the dairymen shipping the entire product to privately owned manufacturing plants which converted it into butter and other by-products. Under each one of these conditions the results were, as a rule, unsatisfactory to the producer, since in any case, acting individually, he had no voice in determining prices. In the second case much waste existed, while in the third case he had no means of determining whether he was being properly treated by the manufacturer.

It is safe to say that the greater portion of the milk produced in California is used for the making of butter, most of the balance being sold to city supplies as whole milk.

The necessity of the producer, through his organization owning his own manufacturing plant for the utilization of all the products in milk, may be demonstrated by the accompanying chart and tables. This data has been compiled by S. N. Ayres, secretary of the Associated Dairymen of California, Inc., and will indicate the actual monetary difference to the producer in himself converting the milk to by-products as against disposing of it either as whole milk or on a butter-fat basis only.

Further details of the Associated Dairymen of California, Inc., are given by the secretary, who has submitted the following:

On August 4, 1919, the Associated Dairymen of California completed the second year of its corporate existence. Necessarily, with such a wide spread of dairying country that is embraced in California, a great deal of attention has had to be devoted to the problems of organization, especially in view of the vicious propaganda that has been carried on against the association. Starting with five member-associations, four more have been added, namely: West Side Dairymens Association, Salinas Valley

Dairymens Association, Imperial Valley Milk Producers Association, and the Milk Producers Association of San Diego County—the first being incorporated with the Associated Milk Producers of San Francisco; so that now the membership numbers eight. Humboldt County is in process of being organized, and within a short time will make the ninth.

The past year has been marked by plant development. In the San Joaquin Valley there has been a consolidation of fourteen creameries; in northern California one of the finest creameries in the United States has been erected at Sacramento, another acquired at Greenville, Siskiyou County, and a third acquired and enlarged at Orland; the Salinas Valley Association has just completed a plant at Soledad; a new plant has also been constructed by the Associated Milk Producers at Holt; and the Imperial Valley Milk Producers Association is planning one to be built at El Centro. Altogether there are twenty-four plants now in operation.

The Associated Dairymen was formed for the purpose of securing uniformity in methods of production, manufacture, and marketing, and also to establish an agency through which the products of the different associations, such as butter, cheese, casein, sugar of milk, condensed milk, albumen, condensed skim milk, condensed buttermilk, and other products, could be marketed upon a uniform plan.

To attain uniformity of manufacture, the ablest technical experts are being secured, and through regular meetings of managers, plans will be formulated to put into general effect the best creamery practices.

In conjunction with the manufacturing phase detailed studies are being made into plant location and milk and cream collection routes. The dairy industry has suffered for years by wasteful and unscientific methods. Competing creameries duplicated routes, and the expense of this duplication came out of both the dairymen and the public. Again, unnecessary charges resulted from shipping whole milk long distances when cooling and condensing plants could have been installed at convenient points, thus materially lowering the transportation charges. This can be more fully appreciated when it is realized that in shipping whole milk, freight is paid on the water content, which amounts to 87 per cent of the whole. Following these studies routes have been systematized and cooling and condensing plants have been erected. The saving thus effected in some instances will pay for the plants in less than a year.

The manufacture of by-products has opened up a wide field for the dairyman. Hitherto, very largely, the producer, when selling to the private interests, has secured only the butter fat content of his milk, the revenue derived from the by-products being retained by these private interests. Equipment to make all the by-products has been installed in two plants; other units will be added to those factories not now fully equipped with by-products processes, as conditions demand. In addition to the usual by-products commonly made, skilled chemists are developing entirely new by-products.

The rapid growth of the organization has served to emphasize the necessity for a strong marketing policy to get the products into the hands of the consumer with as few intermediaries as possible, and with the elimination of speculation. Towards this end, a market director has been appointed, and a comprehensive policy is gradually being brought into execution. Both foreign and domestic markets are being investigated, branch offices will be opened in eastern states, and connections secured in the leading foreign trade centers.

The services of the State Market Director have been a great benefit to the dairymen. Before the establishment of this department, the price of butter and cheese for California was fixed on the San Francisco Dairy Exchange by middlemen. To a very large extent prices were manipulated so that the law of supply and demand could not operate, and incalculable amounts went into the hands of the speculators which should have gone to the dairymen. Now, however, with a central marketing agency, the producers are able to realize market value for their commodities.

The era of high prices has laid a great burden upon the dairyman. Everything that makes up the cost of producing milk has advanced far out of proportion to the increased price of milk. Almost continuously the dairymen have been receiving less than cost of production. Only through raising a large part of their feeds have they been able to survive. Many have been encouraged to continue through the faith in their association to work out the big problems underlying the dairy industry, who would otherwise have sold or butchered their herds. In this the association has been of great indirect benefit to the consumer, for undoubtedly, without its activities, there would exist a serious shortage in dairy products, with a range of prices on a par with those of the East and South.

Following is the list of member associations of the Associated Dairymen of California, Inc., together with the officers of each:

Milk Producers Association of San Diego County.

310 Central Mortgage Building, First and Broadway, San Diego, California.

Douglas Young, manager.

Imperial Valley Milk Producers Association.

El Centro, California.

J. H. Holland, president.

C. E. Paris, general manager.

California Milk Producers Association.

1505 South Main Street, Los Angeles, California.

B. A. Rhoades, president.

T. H. Brice, secretary and manager.

San Joaquin Valley Milk Producers Association.

217-218 Cory Building, Fresno, California.

Fred W. Hansen, president and manager.

B. B. Minor, secretary.

Milk Producers Association of Central California.

292 Bacon Building, Oakland, California.

C. H. Greer, president.

Guy H. Miller, secretary and treasurer.

William J. Mullins, general manager, Modesto Creamery, Modesto, Cal.

H. E. Burch, manager, Oakland.

J. E. Humphres, Stockton manager.

Northern California Milk Producers Association.

Nineteenth and B Streets, Sacramento, California.

J. M. Henderson, Jr., president.

Henry M. Ellis, secretary and manager.

Associated Milk Producers.

53 Clay Street, San Francisco, California.

F. I. Lemos, president.

A. J. Homen, secretary.

F. A. Machado, manager.

Salinas Valley Dairymens Association.

Soledad, California.

A. F. Franscioni, secretary (Soledad).

Ray Hasson, manager.

ASSOCIATED MILK PRODUCERS, INC.

Dairymen supplying San Francisco with whole milk were organized in March, 1916, as the Associated Milk Producers, Inc. This organization now has a membership of 200 milk producers, covering the counties of San Francisco, Marin, San Mateo and parts of Santa Clara, Contra Costa, and San Joaquin.

Three former attempts to organize had been made by the dairymen alone but proved unsuccessful. Investigation by a deputy of the Department revealed that the dairymen had been shipping milk to San Francisco at less than the cost of production. With unified action this condition has been changed and a price has been obtained more nearly commensurate with conditions, enabling the producers to continue to operate.

While its chief activity in the past has been to supply San Francisco with whole milk, like other similar organizations the Associated Milk Producers has found it necessary to enter the manufacturing side of the industry. This was due principally to the expiration in May, 1919, of the association's contract to supply the requirements of milk distributors of San Francisco.

Immediately subsequent thereto, charges were made that the association was diverting a portion of its milk supply for the purpose of maintaining higher prices. An investigation was immediately made by my Department to ascertain the facts. This investigation resulted in clearing to my satisfaction the charges against the association.

It was found that where formerly the association had supplied the San Francisco distributors with an average of 28,000 gallons of whole milk daily, with the expiration of the contract in May, three of the most important distributors sought their milk supply outside of the association. This meant some 8000 gallons extra on the hands of the association for which no outlet as whole milk was immediately obtainable. Fortunately, having anticipated the necessity of a utility plant for conversion of surplus quantities of milk over and above the milk supply, the association had erected a plant at Holt, California, for the making of butter and cheese. This milk, supplied to the association from its members in the neighborhood of Holt and formerly shipped to the city for the use of the three distributors, was then temporarily shipped to the plant at Holt in order to prevent its entire loss. As the milk, if shipped to San Francisco at that time, would have gone to waste for lack of a distributing outlet, and since further, by converting this surplus milk into butter and other by-products, the association's members received higher returns than as whole milk, this was considered reasonable.

It was also found that the defecting distributors who had commenced purchasing their milk from independent producers had paid to these producers higher prices than they had formerly paid to the Associated Milk Producers. Later, through their inability to obtain an assured and reliable supply of milk from independents, these distributors returned to the association and as a consequence surplus quantities of milk in the association have been reduced to a minimum.

While the price received by the producer for his milk has advanced since preorganization in conformity with radically increased costs of operation, the advance in the retail price paid by consumers has been nominal in comparison.

The records show that before organization the average price to the milk producer was 17 cents per gallon. In 1918 the price secured by the association for its milk was 28 cents per gallon, an advance of 64½ per cent per gallon. In April this was lowered to 25 cents a gallon, owing to increased supply.

The supply having fallen off and costs having increased, with the approval of the United States Food Administration, the price was raised in September, 1918, to 31 cents a gallon, at which level it has remained until November of this year. This amounts to an increase of 24 per cent over the principal portion of 1918, and an 82½ per cent raise over the price received by the producer before organization.

On the other hand, where the consumer of whole milk in San Francisco paid 10 cents a quart in 1915 before organization, and continuing up to the close of 1917, the retail price for almost all of 1919 has been only 14 cents a quart, an increase of only 40 per cent to the consumer.

Comparing these figures with the increased cost of milk production, including such important items as feeds and labor, which in the aggregate has amounted to fully 100 per cent, the consumers of San Francisco are to be congratulated on having the efficient and scientific method of collective marketing among dairymen rather than the former unscientific system which, because it failed to protect the producer against loss, acted as a deterrent to production rather than as an incentive.

The annual business of the association for 1919 amounted to \$2,958,727 and was handled at a cost of .005445 cents per 100 pounds of milk.

The association charges its members 1½ cents on each gallon of milk handled. In return it sees that the member's milk is delivered in good condition, checks up the correct test on butter fat content, and in addition collects and remits proceeds from milk to the members. All surplus funds left after operating expenses at the end of the year

are prorated among members. A 5 per cent dividend has been declared each year to stockholders.

Further details are given by A. J. Homen, secretary of the association, as follows:

Since its last annual report to you, the Associated Milk Producers has had rather a stormy year. In the first place, when its contracts with the distributors of San Francisco expired upon the thirty-first day of May, 1919, it declined to enter into further contracts with these distributors covering a year period, but was perfectly willing to sell them milk from day to day. Some of the largest of its retail distributing customers sought and did obtain milk from sources on the outside.

In order to take care of its surplus unsold milk brought about by the defection of its retail customers, the association has constructed at Holt, San Joaquin County, California, at a cost of some \$100,000, a utility plant where it reduces to various milk products the surplus milk of its producer members and makes therefrom cheese, butter and condensed milk, and is prepared to make other milk products if necessary.

During the year there has been a great deal of agitation growing out of the high cost of living everywhere prevailing against this association and against milk producers in general. As a result of this agitation and also the agitation of those who were opposed to it from a business standpoint, the association was indicted in San Francisco under the Cartwright Act, as a trust, but after a trial lasting several days, it was acquitted by the verdict of the jury which tried it.

The corporation has recently increased its capital stock from \$100,000 to \$300,000, and is proposing to put another milk utility plant in the vicinity of Los Banos, California. It already has applications from a large number of milk producers in that locality for membership.

The association has to report that its members are satisfied with its business policy and that it believes in another year's time, when things get back to normal, that it will still be continuing to perform the service both to the producers of milk and to the distributors and consumers thereof which has justified its existence in the past.

MILK PRODUCERS ASSOCIATION OF CENTRAL CALIFORNIA.

Organization of the dairymen of Alameda, Contra Costa, Santa Clara, San Joaquin and Stanislaus counties into a central marketing body, known as the Milk Producers Association of Central California, was completed in 1917, and has unquestionably proved beneficial to the producers as well as to the consumers of Stockton, Modesto, Oakland and other bay cities which it supplies with whole milk.

It now represents a membership of 1100 milk producers, and like other units of the Associated Dairymen of California, has undertaken the manufacture of butter and other by-products.

For this purpose the association has acquired a creamery plant at Modesto and one at Stockton. In addition it has erected a plant at Modesto for the manufacture of casein, milk sugar and dry skim milk. In all, these plants have an appraised valuation of \$292,559.40.

The association is now preparing the erection of two additional units to cost some \$34,000 each, having arranged for the proper financing for the purpose.

It is estimated that the average annual output of the association's plants, including the additions now under way, will have a productive value, when completed, in excess of \$6,000,000.

Where formerly the dairyman of these districts sold either whole milk or sold for butter fat content only, in the latter case allowing skim milk to waste, he is now delivering to his own organization's plants and receiving returns based on the entire value of his product.

The following statements have been prepared by Mr. Guy H. Miller, secretary of the association, and tell of the present healthy condition of the industry in the districts covered by his organization:

Complying with your request for a report of our association's work during the past year, we are pleased to be able to state that the affairs of our association are in excellent condition, and that we have a membership of over 1100 and are constantly signing up more dairymen as members, having 300 applications for members on hand. We, therefore, feel that the work of the association has made the organization appreciated by the farmers engaged in producing milk and cream.

Since purchasing the Modesto Creamery and Valley Creamery, at Stockton, our association has erected a sugar of milk plant on its property at Modesto, and greatly enlarged the small casein plant, thus enabling us to market the skim milk in a way that has secured for the members a price for this by-product that they have never received before.

It is the intention of the management to erect in the near future a dry skim milk factory, in connection with the Modesto plant, to take advantage of the growing demand for that product, and we have purchased the necessary ground for such a building.

During the seventeen months since our association took over the Modesto Creamery, it has manufactured and marketed 4,400,000 pounds of butter, 450,000 pounds of casein, 290,000 pounds of sugar of milk, and 120,000 pounds of cheese. We have also sold to the retail milk dealers in Oakland, Berkeley, Alameda, Stockton and Modesto, a large part of the milk supplied to the residents of these cities. The proceeds of all these sales, less operating expense, and payments made on the purchase of our equipment, have been returned to the members.

We have been able to finance our organization advantageously during the past few months, and our finances are in good condition.

There appears to be a world shortage of butter and other dairy products at the present time, and the indications are that there will be a good demand for all the milk products that the dairymen may produce during the coming year.

While all feeds for dairy cattle are very high in price, and the large amount of labor required in the dairy business very costly, through the aid of such nonprofit dairymen's organization, the milk producers are able to secure a fairer share of the market price paid by the consumer for dairy products, thus enabling the dairymen to meet the increasing expenses and continue in the dairy business.

MILK PRODUCERS ASSOCIATION OF SAN DIEGO COUNTY.

This association, organized in 1917 as the "Milk Pooling Association of San Diego County," following many meetings with producing dairymen in San Diego County, now has a membership of 68 dairymen and handles principally whole milk for San Diego supply.

Organization has undoubtedly improved the situation among these dairymen and has enabled them to obtain a fairer return in the face of steadily increasing costs.

For the year closing June 30, 1919, the association handled a business of \$412,286 at a cost per dollar of \$.0198 as against \$.0177 for the preceding year. Where prior to organization the milk producer in San Diego received 54.74 per cent of the retail price, which, less the cost of transportation, would leave a net return of approximately 51 per cent, while the distributor received 45.26 per cent, the organized dairyman is now receiving a net return of 56.86 per cent of the retail price as is shown by the following analysis:

| | |
|----------------------------|----------------------------|
| Producer..... | \$0.09097 = 56.86 per cent |
| Transportation agent | .00623 = 3.90 per cent |
| Association..... | .00172 = 1.07 per cent |
| Distributor..... | .00108 = 38.17 per cent |
| | <u>100.00</u> |

It is of interest to note the fact that while collective action for cooperative marketing has brought about increased returns to the San Diego County milk producer, necessary in the face both of unprofitable production before organization and steadily rising costs since, price increases to consumers of whole milk at San Diego have not kept pace with the increase to the producers. This is due chiefly to organization with its greater efficiency.

In 1917, prior to the formation of the association, milk producers in San Diego County received \$2.61 per hundredweight for their 4 per cent milk of ordinary quality. In 1919 the same producer, through organization, has received \$4.52½ per hundredweight, or an increase of fully 75 per cent.

Where the consumer of milk in the city of San Diego paid 5.625 cents per pint and 10.625 cents per quart in 1917, the price is now 9 cents per pint and 16 cents per quart, or an increase of only 60 per cent on the one, and barely 56 per cent on the other.

Many improvements have been effected which also have benefited consumers materially. By providing a scale of prices to encourage production of high quality milk, better methods of production have been adopted, and the majority of the dairymen now have their herds tuberculin tested.

The following are excerpts taken from the second annual report of the manager of the Milk Producers Association of San Diego County for the year ending June 30, 1919:

It is gratifying to note that nearly all who have entered the dairy business in the vicinity of San Diego since the association began have become members, and in most cases have indicated their satisfaction with our service. At the beginning of the first year our members numbered sixty; at the end of that year sixty-six; and now at the end of the second year sixty-four.

The total quantity of milk handled by the association during the year was 9,465,510 pounds, which was sold for the total sum of \$412,286.69. This is an increase over the previous year of 1,018,755 pounds of milk, and an increase in sales of \$101,351.37.

Although our supply was greater than in the previous year, we were unable to meet the demand from July, 1918, to the following January. After that time there was a gradual increase in production, and a decided falling off in the demand, largely owing to demobilization of army and navy units and the slowing down of other war activities in and about the city. Where we had been striving to increase production to meet the demand of our temporarily increased population, after the armistice was signed it became apparent that it would soon be difficult to find a suitable outlet for our entire supply.

With an increasing supply in the months of January and February, and a decreasing demand, it was not surprising that a considerable surplus soon developed. During the dry season many producers failed to maintain shipments for which they had contracted, and this resulted in such a shortage that many consumers could not obtain the milk they needed. In such cases it was natural that condensed milk should be substituted, and when the substitute habit is once formed, it is not easy to change the consumer back to fresh milk. Many seem to prefer the use of condensed milk because of the little trouble in buying it, even though there is little if any difference in the cost. It is easy to see the permanent harm caused by our failure to maintain an adequate supply, for we can not easily persuade the public to change from condensed to fresh milk when we are able to supply their needs, when they will again be unable to buy the fresh article when the next low-production season reduces the supply. As long as we can not maintain a reasonably uniform supply, we can expect an unwarranted surplus in the season of greatest production.

On February 17 our receipts had reached a figure where it was impossible to dispose of all milk for market purposes. There was a limited demand for skim milk for making buttermilk and cottage cheese, and the sweet cream from surplus milk found a ready demand. We had the surplus separated to yield about 40 per cent cream which was sold at a price per pound of butter fat 15 cents above the San Francisco wholesale butter price. The skim milk was sold at 60 cents per hundred pounds for making buttermilk and cottage cheese when the surplus first developed, but we soon realized that the quantity of surplus would increase beyond the demand for these products, as sales could not be increased beyond a certain small volume in a short space of time. It, therefore, became apparent that some other outlet must be provided for the skim milk and we requested the Pure Milk Dairy Company to put in a condensing plant for the purpose. After more or less trouble the equipment was put in working order and experimental work was begun. On the strength of the results shown, the Pure Milk Dairy Company submitted an offer of 60 cents per hundred pounds of skim, for making buttermilk, cottage cheese and condensed skim milk. This offer was accepted as a temporary price, until such time as it could be shown that a higher price could be paid us.

The installation of the condenser represents the first step that has ever been taken locally to successfully utilize the skim milk from surplus, in practically unlimited quantity. If it had not been for this outlet for our product, we would have lost hundreds of dollars each month from March to June.

There are just two ways in which the existing surplus can be overcome. The first and most desirable is increased consumption, and the other is reduced production. By our educational advertising we have set in motion a plan to increase the use of milk. Possible benefits from this may be more or less offset by malicious attacks, which bid for popular applause by appealing to the elements of prejudice and discontent in the public mind. The people are staggering under the burden of high costs and foolishly denounce increased prices of necessities, such as milk, while they cheerfully pay much greater increases for luxuries and nonessentials. It is estimated that the price of milk is too great as a result of price agreements, and a certain class of

consumers respond by discontinuing or reducing their consumption of this indispensable food. As consumption declines, a surplus occurs, and if the yield from the sale of this part of the supply is below the cost of production, that part of the milk which, owing to inefficiency in production or other factors, is the least profitable, will be the first to disappear, and this process will continue until supply is reduced to a point at or below the normal demand. Thus reduced production operates to equalize supply and demand.

The greatest increases in the cost of production since we began business, seem to have taken place during our first year, with the result that five increases were made in our selling price, aggregating 25 cents per pound of fat of grades "A" and "B". During the past year, the market on dairy feeds and other supplies was more steady, although the movement was upward rather than downward. The labor situation in general was slightly improved as regards supply, after war activities began to slow down, but wages tended to increase at all times, more or less in harmony with the ever-increasing cost of living.

Prices paid producers and charged consumers by local dealers, when compared with prices in other coast cities on which we have information, show that our producers continue to receive a larger share of the retail price than any other dairymen of which we know. At the end of our first year the producer was receiving an average of 61.29 per cent of the retail price, and this has been slightly increased during the year just closed, the producer's share at the end of the second year being 61.83 per cent, leaving the dealer approximately 38.17 per cent. In the other coast cities on which figures are available, the producer's share appears to be about 55.30 per cent of the retail price, and the dealer's share 44.70 per cent.

Some producers have felt that further increases in price should be made, it being stated that they could hardly make expenses. There are others who have appeared to be fairly well satisfied, though there is no evidence of any of these getting undue returns on their labor and investment.

It seems desirable that no more price increases be made if it can possibly be avoided, for every increase means reduced consumption, and the reduced volume of business in turn causes higher unit costs for producing and marketing. From the standpoint of the public welfare, it is highly important that the greatest possible consumption of milk be maintained and encouraged; for the health of the people, particularly infants, is too vitally affected by the absence of milk from the diet for this side of the question to be neglected.

NORTHERN CALIFORNIA MILK PRODUCERS ASSOCIATION.

Interest in organization of the dairymen in Northern California was aroused early in 1917 through the successful results obtained by the organized dairymen supplying San Francisco and Los Angeles.

In the north the situation among the dairymen had been particularly unsatisfactory owing to the fact that their chief outlet, aside from a nominal amount of whole milk shipped to communities such as Sacramento, consisted of private creameries to which they sold on a butter fat basis, thus receiving only a portion of the full value of their whole milk product. Returns were so poor that numbers of dairymen had been forced to discontinue.

Organization of the large milk producing counties of the northern part of the state was finally consummated by May, 1917, under the name of Northern California Milk Producers Association.

This cooperative association soon became one of the original members of the Associated Dairymen of California, Inc., and now numbers some 1300 members in all.

In addition to improving returns to shippers of market milk, the association, soon after its inception, purchased a creamery plant at Orland to which it has since made additions for the purpose of manufacturing by-products other than butter and cheese. It has since acquired a creamery in Siskiyou County and during the last few months has completed in Sacramento one of the largest plants in California for the manufacture of all the milk by-products. This latter plant is estimated to be worth in the neighborhood of \$200,000. The annual business of the association for the year 1919 has amounted to some \$4,500,000.

The following account of the activities of the association, as submitted by it, is interesting:

The Northern California Milk Producers Association was organized May 3, 1917, and is composed entirely of bona fide dairymen and has eleven directors, one of whom is appointed by the State Market Director. These directors represent as nearly as possible the various sections.

The association has taken over and is operating plants in Siskiyou County, Glenn County and in Sacramento County, and has in several places installed cooling stations in order that the milk may be received at the manufacturing plants in good condition, as good condition is necessary to produce a good manufactured article.

The plant in Sacramento is a general utility plant where butter, cheese, powdered milk, casein, condensed milk, and other by-products are manufactured. The machinery for this plant is not fully installed on account of being held up by strikes. The Glenn and Siskiyou county plants are at present only making butter.

The association is putting out its butter and cheese under the Cream O' Gold Brand, which brand is meeting with public favor. This association is one of the eight units which comprises the Associated Dairymen of California, and since its formation has accomplished a great deal of good in that it has helped to regulate and

correct a great many abuses. Many dairymen who had quit dairying on account of losing money have resumed their occupation on account of the association making it possible to receive a better return.

In spite of the tremendous propaganda that has been launched against the association by people who are opposed to the dairymen handling their own business, the membership has increased very fast, we having now close to 1300 members. The product that the association is now handling is running up into the millions and upon the entire completion of the manufacturing plants will be doubled.

The association appreciates very much the work and effort of the State Market Director which is bringing daily a better result to the farmer through cooperation and better organization. The association is a nonprofit, cooperative organization and endeavors to realize for the farmer the cost of production plus a legitimate profit.

IMPERIAL VALLEY MILK PRODUCERS ASSOCIATION, INC.

Up to July 1, 1918, dairymen of Imperial Valley were in a thoroughly disorganized condition and at the mercy of the private creameries to which they sold the greater portion of their skim milk on a butter fat basis. This situation was unsatisfactory since individually they had no voice in determining the value of the product and no protection in the butter fat test of their shipments.

Apparently the only remedy for the dairymen lay in organization. With this finally accomplished, the association has grown to a membership of 600 dairymen.

This organization is now a unit of the Associated Dairymen of California, Inc., and is arranging for the establishment of a centrally located plant at El Centro, Imperial County, for the purpose of utilizing all of the milk of its members. In addition to butter and cheese, the association will manufacture milk by-products such as milk sugar, casein, powdered milk, etc.

Secretary W. J. L. King writes as follows regarding their activities:

This association was organized July 1, 1918, and has grown to a membership of over six hundred, representing more than 20,000 cows. Notwithstanding the most strenuous opposition on the part of the interests who do not favor organization, our output for the year was considerably over 3,000,000 pounds of butter.

We have paid the dairymen for butter fat an average of 5 cents per pound over the Los Angeles Produce Exchange quotations. We are now preparing to erect a central plant at El Centro capable of handling all the product of the valley and equipped to manufacture cheese, casein, sugar of milk, condensed and powdered milk, etc. With these facilities we shall be able to materially increase the premium paid to our members.

While the bulk of our butter is sold in our own state, we have established a considerable market in Arizona and Texas.

The dairymen of Imperial Valley are improving their herds and in the near future I am convinced that the standard will be equal to any in the state. Some alfalfa land has been converted for cantaloupe and lettuce but this has not decreased the number of cows in the valley.

Naturally we have had our troubles, inevitable to all new associations, and mostly caused by competitors who are opposed to organization, but we are confident of our continued success, and payment to the dairyman of a fair price for his labor and investment means more production and higher quality.

CALIFORNIA BEAN GROWERS ASSOCIATION.

The California Bean Growers Association is now in its second year, having been organized early in 1917 with the aid of the State Market Director, after a number of conferences which resulted in the adoption of a definite plan of organization.

While the production of beans in this state has grown rapidly, the absence of scientific and modern methods of marketing spelled to the grower prices below the rapidly increasing cost of production. Leading bean growers were quick to see the consequence of over-production, low prices to producers and an unorganized industry.

In the campaign for membership that was immediately launched the objective of members representing a production of 400,000 bags of beans, was attained by the early part of 1918. After promptly incorporating as a nonprofit corporation, without capital stock, the campaign for membership was resumed, reaching an excess of members representing 1,000,000 bags by September of that year. Promotion expenses were provided through the payment by subscribers of 2 cents for each 100 pounds of beans.

In handling the crop of 1918 the association faced the difficulty of finding a market for an unusually heavy production brought about through the call for greater food supplies, and at the same time, a carry-over of so-called "spot" beans. The problems of financing its growers were manifold, but were finally accomplished through the association.

On the other hand with a heavy production in this state much difficulty was experienced by the bean growers through permitted importation of Asiatic beans which aided largely to demoralize the market.

It is safe to say that without such a cooperative marketing association, the bean growers individually would have faced chaotic conditions and ultimate ruin. Through the marketing season of 1918 the association cooperated in every way possible with the United States Food Administration to the great advantage of both the growers and the government.

In this connection vice president George F. Maddox, of the California Bean Growers Association, has this to say in a recent letter:

I want to most emphatically state that the California Bean Growers Association has made every effort possible to dispose of its stock of 1918 beans both to the public and to the United States government, and in every case we have endeavored to sell our beans at such prices as will make only a very moderate return to the grower, and in the case of the United States government we have offered these beans at prices to be set by the United States government itself.

While bean growers had responded to the call of the government for increased foodstuffs with heavy plantings, the cessation of hostilities and signing of the armistice left them with enormous supplies, falling prices, and the government out of the market. Thus large quantities of the 1918 crop were carried over into the present year.

Although every effort was made by this Department, in cooperation with the association, to find markets and to stimulate consumption by the inauguration of a "bean week," supplemented by display advertising, and appeals to food purveyors, huge quantities of beans remained unsold.

The result of these conditions brought about a material reduction in the planting of 1919, with the consequence that this season's crop is estimated at only 50 per cent of last year's crop, however, the association, by reason of prompt financial arrangements, and also by providing facilities for warehousing and processing for its members, has saved the growers from the necessity of throwing their beans on a fallen market which would have depressed prices far below the cost of production, to their further great loss.

The present prospects of the association are considered favorable and its value to producers as well as consumers has been largely and effectively demonstrated through the preliminary efforts of the association in its formative stage in 1917, when a depression in the average price obtained for the grower was prevented. While the year previous beans reached the distributor at practically 100 per cent in advance of what the grower received, it is interesting to note that in 1917, according to general manager G. A. Turner in my preceding report, although the association was then only in a formative stage, its influence was such as to practically maintain the 1916 price to growers although the price to consumers was $33\frac{1}{3}$ per cent less than in 1916.

The following has been received from B. E. Jesse of the association:

The California Bean Growers Association was organized in February, 1918, under the laws of the State of California, "to promote, foster and encourage the business of raising any and all varieties of beans; to aid in the marketing and distribution of beans, grown by its members," and is a nonstock, nonprofit organization, its expenses being met by a small charge per ton on each year's crop.

The association, which is nearly two years old, is steadily increasing in membership and now has nearly 1700 members in the district covering the bean growing area, from Colusa to San Bernardino counties. Since its organization it has handled approximately 1,500,000 bags of beans of every variety, except limas, grown in California, and is now marketing one-half of the bean crop of the state.

During 1918, the government requested the bean growers of California to plant all the acreage possible. This resulted in an abnormal crop, and with the sudden termination of the war and early rains, caused considerable damage, and left the bean market in a very unsettled condition. This condition obtained throughout 1919, and there was a "carry-over" from the 1918 crop of approximately 400,000 bags of choice beans of all varieties. These, however, are now being disposed of at satisfactory prices.

Data covering production by members of the association, and which will be handled by it during 1920, is estimated at from 700,000 to 800,000 bags, while the entire yield of all growers in the state shows that the 1919 crop will amount to about 60 per cent of the normal yield.

It is believed the association has accomplished a great deal in the economical and profitable handling of the bean crop and done much toward reducing the high cost of living through the elimination of the speculator and unnecessary selling and marketing charges. It has made excellent selling connections in the large Eastern centers of distribution and the legitimate buying public is looking very favorably upon the association, evidenced by many inquiries and steady sales made through those agencies.

Through the efforts of the California Bean Growers Association the bean growers of other states have promised their cooperation and support in the attempt to secure adequate tariff legislation to keep out the Asiatic bean and the matter is now in the hands of the Ways and Means Committee of Congress.

The less than normal crop of 1919, now being harvested, would indicate an excellent and firm market at prices that will make it possible for the grower to meet the advanced cost of labor and equipment and make a legitimate profit.

A grading standard is now being worked out and will be adopted by the association in the near future.

To further the interests of the association membership there is being issue monthly the "California Bean Growers Journal," devoted exclusively to the bean growing industry of the state. This publication contains articles of practical benefit to the growers, looking to improved methods of cultivation, selection of seed, remedies for combating pests, and other features looking to the advancement of the bean growing interests.

CALIFORNIA PEAR GROWERS ASSOCIATION.

Organization of the pear growers of California into a collective marketing association was marked by many difficulties. After two unsuccessful attempts, the third and final campaign of 1918 proved successful, and the results have fully justified the expectations of those who first conceived the organization.

For many years the Bartlett pear grower struggled against adverse conditions such as excessive pear blight and rising costs of production. Due to these factors, acreage decreased and during this period in which the demand was greater than the supply, those growers who were fortunate enough to have any pears to market received fair returns.

Within the last few years, however, with the blight for the most part overcome, the volume of productive acreage began steadily to increase. On the other hand cost of production also increased. This, together with the increased acreage coming into bearing, with consequent lower prices, brought about a situation where the grower could foresee only disaster, unless some means were taken to adjust prices to new conditions.

Alert to the situation facing them, a number of leading pear growers called upon me, as State Market Director, in 1916, to assist them in the formation of a collective marketing association. Owing to strong opposition on the part of opponents to such an organization, however, this, as well as a second campaign in 1917, proved unsuccessful, tempting offers from canners and others inducing many of the largest growers to refrain from joining an organization. In the latter part of 1917, realizing that prompt and definite action should be taken before the next crop was in sight, the association was incorporated by a small number of growers representing an equally small proportion of the acreage.

Promptly commencing an energetic campaign in 1918, this handful of growers, aided by the State Market Director, successfully obtained sufficient membership and acreage to warrant the handling of the 1918 season's canning crop. Aside from the few paid solicitors, much of the actual canvassing for membership among growers was done by members of the promotion committee. In addition to this, much of the acreage was signed up at meetings held in central pear growing districts, addressed by the State Market Director and others. As the result of the short campaign 325 members were signed up, representing 6000 acres of pear orchard. The total expense of organization to the growers amounted to the extremely low sum of \$2586.

The result of the first year's handling of the crop by the association fully demonstrated the value and necessity of cooperation among the growers.

The estimated acreage in 1917 amounted to about 17,000 acres of pear trees in this state, with an additional 30,000 acres planted to pear trees yet to come into bearing. With no organization in that year, growers received from the canners from \$25 to \$40 a ton, in many instances less than the actual cost of production. At the same time labor costs had practically doubled since 1914 as is illustrated in the following table.

| Year | Winter | Summer | Average |
|-----------|----------------|----------------|----------------|
| 1914----- | \$1 35 per day | \$1 75 per day | \$1 55 per day |
| 1915----- | 1 50 per day | 2 00 per day | 1 75 per day |
| 1916----- | 1 75 per day | 2 25 per day | 2 00 per day |
| 1917----- | 2 50 per day | 3 50 per day | 3 00 per day |

After organization in 1918, the crop of canning pears handled by the association for its members brought \$70 a ton on No. 1 pears and \$35 a ton on No. 2 pears. In addition to this, the association was able, by making a detailed showing of the advances in costs, to obtain from canners an advance of \$10 a ton to such growers as had, before the war, made long term contracts. It was estimated that some 6000 tons of pears were thus tied up under term contracts. This advance of \$10 a ton, therefore, spelled a difference of \$60,000 to those growers who otherwise, at the old rates, would have lost heavily. The first year's operations were confined to canning pears. Under the association's crop contract drying pears for that season were released from delivery, the members having such pears marketing individually.

By the season of 1919 the membership materially increased, while the tonnage handled has more than doubled that of 1918. Costs of production have likewise advanced seriously, the labor item alone having increased on an average of fully 50 per cent over 1917, as is illustrated by the following table, and fully 190 per cent over 1914:

| Year | Winter | Summer | Average |
|-----------|----------------|----------------|----------------|
| 1914----- | \$1 35 per day | \$1 75 per day | \$1 55 per day |
| 1917----- | 2 50 per day | 3 50 per day | 3 00 per day |
| 1918----- | 3 00 per day | 4 00 per day | 3 50 per day |
| 1919----- | 4 00 per day | 5 00 per day | 4 50 per day |

This increase, together with other increased cost items, in the minds of the growers warranted an advance over the 1918 price. With a reasonable desire to be conservative, however, an advance in price was finally determined upon amounting to approximately 21 per cent, a truly nominal increase, in view of the heavily advancing costs in production.

The 1919 season's price of \$85 per ton for No. 1 grade, as finally arrived at, while only a fraction of the consumer's ultimate dollar, spells for the grower in many cases the difference between profit and loss. Even at this slight advance, the grower receives but 10 cents out of every 60 cents spent by consumers for pears, as is aptly illustrated in the following article read by President Frank T. Swett of the California Pear Growers Association at the Fifty-second Annual State Fruit Growers and Farmers Convention held at Chico, November 10 to 15, 1919. Because of its timely interest and informative nature, I consider it as deserving of a place in this report, discussing as it does the part the producer plays in the price the consumer pays for fruit stuffs:

"SIXTY CENTS A CAN FOR BARTLETT PEARS."

By Frank T. Swett, Martinez, California.

"Sixty cents for a can of Bartlett pears. Good night!" So said Jones to the grocery clerk. "What's the idea? I used to buy the same brand for thirty."

Jones is a successful business man of San Francisco. Mrs. Jones has 'phoned his office that afternoon, "Company for supper; we haven't a bit of fruit in the apartment; it's too late to order; now, Dearie, call in at Goldberg-Bowen grocery and bring home a can of nice Bartlett pears."

Jones is a man who wants to be shown. He asked the clerk "What's the reason of this raise?"

"Why, Mr. Jones, don't you read the papers? A great many people are agreed that the farmers are profiteering on us city guys; and wicked Weinstock has organized them into terrible trusts to sting the consumer!"

"Believe me," said Jones, "I'm going to investigate," as he jumped into his Pierce-Arrow and sped home to the apartment.

The next day he talked with a banker on that painfully popular theme, High Cost of Living.

"Inflated currency, diminishing dollar, excessive demand for all foods, restricted production of commodities due to the strike habit—the customary aftermath of all big wars," said the banker. "Mark Sullivan said it in Colliers Weekly in his remark that 'the dollar should be renamed and designated a "dollarette."' We're all trading in fifty-cent dollars. Now, Jones, your sixty-cent can of pears is really a merely old-fashioned thirty cents."

"This is too abstract for me," said Jones. So he asked a prominent canner who recently announced in a financial letter to the press that canners had all made phenomenal profits this season; but now that it had all been sold the price was really too high and that the remedy next year would be to pay the fruit growers less for their fruit. "Growers must not expect such exorbitant prices next season." The canner told Jones all about higher cannery labor costs, etc., but said nothing about higher costs on the farm.

But Jones was thorough. He had been told at second-hand, about farmers' combinations. He wanted to beard one in its den. He bravely ventured into the office of the Pear Growers Association.

The retailer had passed the buck to the "farmers' combine"; the canner had followed suit. Everyone had emphatically berated the far-off farmer. Was this solution correct?

Secretary Hamilton was at his desk. Said Jones, "I'm going to ask some important questions. While I'm making double the money I used to, it takes it about all to live comfortably. Shoes, clothes, nurses, housemaids, rent, theater tickets, all have gone up; and it's most aggravating to have to pay more for food.

"Why did the grocer charge me 60 cents for those pears? Why don't your association sell the fruit cheaper to the canner? I'm afraid the growers are profiteering. Defend yourself if you can!"

"All right," said the secretary. "Let's analyze your 60 cents. When you paid, you laid out the *one* four-bit piece and a dime. What did the grower get from

the four-bit piece? Not one penny! The grower got the dime. Out of that dime he paid for a whole year's work in the orchard, taxes, irrigation, spraying, plowing, tractors, compensation insurance, spray materials, distillate, housing for employees.

"The owner and his family lived and worked on only four pennies of your dime. Six cents he paid out for employees and orchard expense.

"If the philanthropic grower could afford to work for nothing and board himself, then pears might sell 4 cents cheaper, or 56 cents. Now, Mr. Jones, if you are looking for profiteering, will you seek it in the grower's 4 cents, or in the other 56 cents? Without your dime, production would stop short."

"You surprise me," responded Jones. "I can hardly credit your data."

"Here are the facts," said Hamilton. "The association sold 14,000 tons to canners at \$85 a ton. A ton will make from 37 to 40 cases of canned pears, or considerably more than 850 cans. At 10 cents a can this is \$85."

"The deuce you say," said Jones. "I don't begrudge the dime, for I realize the production must continue. But where did my four bits go?"

"That went for canners' boxes, freight, stevedores, deck hands, coal miners, oil men, draymen, cold storage in cannery, wages that are three times as high as formerly, in high freight rates on sugar, for tin and labels and cannery cases, higher wages in lumber camps, rent, clerk hire and delivery for the retailer.

"The canner sold the case of 24 cans for \$8.50. When retailed the same case cost consumers \$14.40. Each can carried a burden of 25 cents in its trip from the canner's warehouse to the consumer, or a total of \$6. When the grocer took your can from the shelf and handed it over the counter, his 20 per cent earned in two minutes, cost you twelve cents, more than the original grower's price on the pears."

"Robbers," said Jones.

"Wait," said Hamilton, "doesn't Mrs. Jones usually telephone the store and have goods delivered way out at your apartment and charged? The grocer's price is set according to *customary* expense and not by the exceptional occasions when patrons pay cash and carry home. The grocer is lucky if he nets 4 per cent after all expenses are paid."

"Just one more question," said Jones. "How about the expense of this association; isn't it just one more expense between producer and consumer? What does this cost, and who pays it?"

"It came out of your dime," said Hamilton. "In 1919 the business of 450 growers, producing about half the pears of California, was handled at an average cost, not of 20 per cent, not of 10 per cent, nor of 5 per cent; but the almost microscopic and infinitesimally small charge of $\frac{3}{4}$ of 1 per cent on the growers' whole output.

"Canners used to have scores of buyers in the field at an expense of \$1.50 to \$2.50 a ton for the fruit purchased. This needless expense is practically eliminated. One man, the manager of the association, does all the selling, at minimum expense.

"And furthermore, out of the association charge to growers of 90 cents a ton on the cannery pears, there is provision for inspection, shipment, billing, collection, and remitting the grower, and included also adequate financial insurance. This is credit indemnity insurance. Should a cannery fail to pay the association, the American Credit Indemnity Company pays, just like fire insurance."

"You astonish me," said Jones. "How do you get by so cheap?"

"Because this is modern, scientific, cooperative marketing. We have had the assistance in organizing of a man who is one of California's most successful merchants, a man who has studied marketing the world over, a man who has done more to encourage food production and to stimulate California agriculture than all others put together—State Market Commissioner, Colonel Harris Weinstock."

"But don't associations stifle competition?"

"On the contrary, they encourage competition of a new kind—constructive, not destructive. Speculation is lessened or eliminated. The grower encouraged, bends every energy in competing with his neighbors for better quality and increased production. New fields and orchard lands are cleared and planted. You consumers want more to eat. Better methods mean better crops. Better spraying and cultivating means better quality. Maximum production means reasonable prices.

"This association has directors' meetings monthly. In winter and spring these meetings are held in the different fruit districts. Growers attend; last week 60 growers of Santa Rosa met our directors from other sections and a day was spent in planning, with the assistance of scientific experts, better cultivation and spraying methods. This means increased production of better fruit for you, Mr. Consumer.

"In a few years, California, instead of 100,000 tons of pears, will produce 300,000 tons. Does that sound good to you?"

"Have we hampered canning and drying by Association prices? No. This season the greatest pack of pears on record, over 30,000 tons, was canned. Twice the usual tonnage was dried. Practically none went to waste.

"The smallest canner can buy his little supply, perhaps only 40 tons, at the same price and of the same quality as the buyer who buys 5000 tons. Does this encourage him to put up a full pack? I guess yes.

"One canner, who had ordered 400 tons before we named a price, upon being notified of the price on June 2, came to the office the next day. 'Increase my order to 900 tons—your price is reasonable, and we are going to strain every effort to put up a larger pack than ever before.'

"We marketed this year \$1,100,000 of pears, without the loss of 1 cent in bad accounts. Cannerymen have dealt with us squarely and honorably.

"We have stabilized the Eastern markets for fresh pears by diverting the surplus, which formerly used to bring about a regular disastrous slump in August, to driers and cannerymen.

"We are a group of 450 growers pulling harmoniously together, trying to serve faithfully both producer, manufacturer and consumer. We've made a good beginning in our first two years. We can do more and better work in future years. Other growers' associations are working along similar lines"

"I'm glad I called," said Jones. "Next time I hear earnest but misguided and ignorant politicians roasting the producer and his marketing associations I'll call his bluff and demand less eloquence but more facts."

And he departed, feeling better.

In obtaining for the pear grower the full market value of his pears, the association has not only rendered a real service to the grower, but has been of tremendous value to consumers. The association has not only stabilized the price for canning pears, but has prevented the far higher prices to the consumer that would inevitably have resulted through the steadily increasing costs, and individual marketing methods, which operated to the disadvantage of the producer who alone could not have obtained on his own account his full share of the consumer's dollar.

The association this year has handled directly a business of \$1,100,000 for its members at the nominal cost of 1½ per cent on goods sold. The outlook for pears, both dried and canned, is better than ever before, and with the association supplanting efficient and careful collective marketing for the former individual and wasteful method, it is fully believed that the industry is at last on a sound basis.

Nothing can better illustrate the actual results obtained by the association for the current year, than the following statement of its activities as furnished by Mr. Swett:

The orchardist judges the condition of his orchard by its growth and vigor.

The grower's association is as important a part of his property as the orchard itself. The growth of an association is equally an index of its health and vigor.

The California Pear Growers Association was planted and took root in June, 1918. It is now seventeen months old. Two crops of pears have been marketed. During the past year our membership has practically doubled. Our operating expense has been remarkably low—one dollar a ton has covered all expenses this season.

The first season we sold to canneries on members' account \$390,100.44, about 6000 tons of pears, No. 1's and No. 2's.

This season (1919) our business with cannerymen has practically trebled, our cannery sales amounting to \$1,031,617.22.

In addition we sold in San Francisco and Oakland local shipments amounting to \$32,852.30. We have also sold drying pears amounting to \$20,170.53. This does not include a sale of 760 tons made by the Sacramento River district for delivery to Sacramento for drying.

The total tonnage handled brought in \$1,084,640.05 and the total tonnage sold through the association amounted to 14,609 tons.

We distributed pears to twenty-five different canning concerns, many of whom have a number of plants. We are gratified to state that we feel that the canners of California are honorable and square business men.

It is true probably that the canners have made good profits this season when, at the termination of the world war, an unprecedented demand for both food necessities and food luxuries had prevailed. We do not begrudge them their profits, for concerns making profits are safe risks to sell to. If the canners were losing money instead of making money, extensions of plants would be curtailed, the risk of selling fruit to them would be increased and the grower and his association would have a new set of worries. As a matter of good business precaution, however, all cannery accounts have been covered with credit indemnity insurance as a guarantee against loss.

Our directors are conservative men, with broad outlook to the future of the industry. When it came to setting a price a conservative figure was named, \$85 per ton for No. 1 pears, and \$50 per ton for No. 2 pears.

One canner who, previous to our naming prices, had ordered 400 tons, called at our office a few days after our price was made. "Increase my order to 800 tons, and accept my congratulations. You have made a price at which we can afford to make every effort, even in the face of possible labor shortage, to put up a full pack."

At \$85 per ton the grower receives for the pears, in a 2½-pound can, just a little less than 10 cents. While the finished product retails at 60 cents the 2½-pound can, the consumer may forget that even if the grower supplied the fruit absolutely free of charge, donated it in fact, that would take off only 10 cents from the 60 cents.

There is a long chain of expense resulting in the higher retail prices of canned fruit. The following items have all increased during the past three years:

1. Freight from growers to canners.
2. Cost of boxes supplied by canners.
3. Drayage and dock charges. The stevedores charge \$1 an hour for handling fruit grown at 50 cents an hour.
4. Cannery labor.
5. Cold storage.
6. Fuel, cans, labels, cases, sugar.
7. Increased cost of rents and labor to jobbers, wholesalers and retailers.

We feel that the consumer who takes all these matters into account will not begrudge the 10 cents a can that the grower receives, equal to 17 cents of the consumer's dollar.

If the operations of the association in any way curtailed the output of canned pears, while possibly useful to growers, it would not be of benefit to consumers. But we are gratified to say that this season there has been the greatest production of canned pears ever known in the history of the industry, showing that the association is a help and not a hindrance and that it is working for the growth and expansion of the industry.

Friction and disputes sometimes characterize business. We have had no controversies with canners. We have tried to give them a square deal and they have done the same by us. There have been innumerable details to adjust, for mistakes in grading, errors in shipments, and clerical errors are unavoidable during the rush season, both on the part of the growers, transportation companies, draymen, accountants, shipping and receiving clerks, but these have been traced and amicably adjusted.

A most important function of the association is the equalizing of prices in the Eastern markets where the greater portion of the crop is shipped to be sold at auction.

At first sight our claim might be thought visionary in this respect, for we do not handle a single pound for Eastern sale!

What we do is to prevent gluts. With a great outlet to canneries and our flexible system of release for Eastern shipment, during the period of maximum harvesting from July 22 to August 15, we afford an outlet that protects the East from excessive shipments.

The local exchanges as finally organized as members of the state exchange, together with their present officers, are:

Central Valley Honey Producers Cooperative Exchange.

Including Merced, Stanislaus and San Joaquin counties.

J. H. Flory, Dos Palos, California, president.

F. W. Burch, Box 655, Modesto, secretary-manager.

Principal place of business, Modesto.

Inyo Honey Exchange.

Including Inyo County.

W. H. Byrne, Bishop, president.

W. A. Trickey, Bishop, secretary-manager.

Principal place of business, Bishop.

Southern Valley Honey Producers Cooperative Exchange.

Including Madera, Fresno, Kings, Tulare and Kern counties.

J. C. McCubbin, 444 San Pablo Avenue, Fresno, president.

R. L. Watkins, 2510 Lee Street, Selma, secretary-manager.

Principal place of business, Selma.

Imperial Valley Honey Producers Cooperative Exchange.

Including Imperial County.

Wm. Guntermann, Calexico, president.

C. P. Dandy, P. O. Box 455, El Centro, secretary-manager.

Principal place of business, El Centro.

Orange County Honey Producers Cooperative Exchange.

Including Orange County.

Geo. J. Brown, Tustin, president.

Roy K. Bishop, R. F. D. 1, Orange, secretary-manager.

Principal place of business, Orange.

South Coast Honey Producers Cooperative Exchange.

Including Santa Barbara and Ventura counties.

W. J. Oates, Lompoc, president.

Chas. C. Orr, Ojai, secretary-manager.

Principal place of business, Ojai.

Superior California Honey Producers Cooperative Exchange.

Including all of the state north of San Joaquin County.

Mrs. M. E. Engel, Chico, president.

Casper Hauser, 2416 Fourteenth Street, Sacramento, secretary-manager.

Principal place of business, Sacramento.

Orange Belt Honey Producers Cooperative Exchange.

Including Riverside and San Bernardino counties.

H. T. Wagner, 806 High Avenue, Redlands, president.

E. W. Horne, 1551 Victoria Avenue, Riverside, secretary-manager.

Principal place of business, Riverside.

Los Angeles Honey Producers Exchange.

Including Los Angeles County.

Geo. B. Larinan, 214 South Lake Avenue, Pasadena, president.

W. E. Keller, 318 Investment Building, Los Angeles, secretary-manager.

Principal place of business, Los Angeles.

San Diego County Honey Producers Cooperative Exchange.

Including San Diego County.

Mrs. Mary Gird Peters, Fallbrook, president.

Ernest G. Allen, La Mesa, secretary-manager.

Principal place of business, La Mesa.

Owing to war conditions, coupled with the federal embargo against the export of honey, together with large importations impending, much difficulty was experienced in marketing the entire 1918 crop. Urgent efforts, however, finally obtained a modification of the embargo and the requisite space in carriers of the United States Shipping Board. The exchange was greatly aided in this connection by the efforts of the California Federation of Farmers Cooperative Marketing Associations, of which the exchange is a member, and which sent the following wire to the board at Washington:

*War Trade Board,
Washington, D. C.*

Honey Producers Association, which is member of California Federation of Farmers Cooperative Marketing Associations, collectively representing an output of about fifty million dollars worth farm products yearly, feels deeply concerned because of threatened import of large quantities of honey from West Indies and Mexico despite prohibition of export of American honey. We know it is desire of government to continue to stimulate all food production including honey. In name of federation request is therefore made that honey be taken from conservation list at earliest possible date in order better to stabilize prices.

On the suggestion of John H. Rossiter, Director of the United States Merchant Marine, I also sent the following telegram to Acting Director Cook of the Emergency Fleet Corporation at Washington, D. C.:

On the suggestion of Mr. Rossiter, now en route to Washington, I am wiring you in behalf of the Honey Producers Cooperative Marketing Association who can dispose of their honey crop to parties who hold British import licenses for five thousand cases who were granted United States export licenses for only one thousand cases. Licenses for remaining four thousand cases having been declined because meanwhile honey placed on conservation list. Furthermore shippers find they can not now make use even of licenses granted for one thousand cases because no space is said to be available except for British government assisted cargo. British Ministry has declined to give such assistance. Mr. Rossiter very much in sympathy and most desirous of assisting the Producers Association and suggests possibility of arranging to assign space on some of the boats nearing completion at Pacific coast yards destined for Europe. Honey is not only wanted by allied civilian population in lieu of sugar but also has been used largely by British army canteen and we are informed is even being used for healing of wounds. Space required for approximately five thousand cases of about three hundred compact tons. Whatever can be done in this matter will be greatly appreciated by the Honey Producers.

On December 19, 1918, I received word from the War Trade Board that the Bureau of Exports had authorized the issuance of licenses freely for export of honey.

While a portion of the crop was thus permitted for export, aiding the sale of honey in the domestic markets considerably, a portion of the 1918 crop, unusually large, was carried over into 1919.

During the past twelve months the exchange has made a record that it may well be proud of. While it is barely more than a year old, it now represents close to 1000 beekeepers, controlling about 100,000 colonies of bees. The exchange represents approximately 80 per cent of the honey produced in California. Practically all of the comb

honey is out of first hands and with the arrangements that the exchange has already made, disposing of the balance of its holdings, the total amount sold for this year, including liquid honey, will approximate over 125 carloads of 36,000 pounds each, valued in excess of \$820,000. At the present rate of costs, it is estimated this amount of business will be handled at a selling expense of 7½ per cent per dollar.

Where formerly honey was handled through a cumbersome method of distribution, costly in the extreme, the honey of the exchange is now marketed direct through dependable agents on a nominal percentage, stabilizing the price, and eliminating many resales within the trade that resulted in profits to unnecessary factors and higher prices to consumers.

The exchange also has a supply department for its members, handling combs, cans, beeswax and various other materials at greatly reduced cost to the members that would not have been possible otherwise than through collective action. The exchange has already standardized the different varieties, one of the most important changes in the industry that has taken place, a brand of the exchange guaranteeing the reliability of the package. In this connection General Manager Charles B. Justice sent the following interesting letter to members in June, 1919:

You will be pleased to know that your honey is being offered under the exchange brands to practically every wholesale grocer and honey dealer in the United States and abroad through the most reliable dealers and brokers in this country. The exchange has absolutely "arrived" and is endorsed from all quarters as a sound business institution. If the crop is short we want you to feel that you have at last secured the opportunity to get the full value of a short crop. Heretofore the speculator was the first man to learn of a short crop, and being universally informed, he was about the only man who benefited. We believe our members are too intelligent to be misled by false rumors, but will get reliable information from their local secretaries about the exchange's marketing plans.

On October 21 the board of directors issued a letter to the members of the exchange that is so illuminating that I am taking the liberty of including it, as follows:

CALIFORNIA HONEY PRODUCERS COOPERATIVE EXCHANGE,
LOS ANGELES, CALIFORNIA, October 14, 1919.

To our Members:

The exchange is now more than a year old, and we feel it our duty as directors of the state exchange to report to you as below:

The affairs of the exchange are in an exceedingly satisfactory condition regarding the marketing of the crop and the volume of business already handled. The future market looks auspicious, as on account of the shortage of sugar the indications are that the balance of the crop will be moved out at good prices. The exchange has sold and shipped out about fifty carloads, leaving slightly in excess of that quantity assembled or yet to be assembled. Regarding the selling ability of the exchange, we quote the following from one of the largest honey dealers in the country:

"Regarding California alfalfa, we can not make sales at 15 cents, but we are not at all surprised that you have been able to sell a few cars at this price, as we believe some of the buyers would prefer to buy direct from the exchange than from us."

The reason that the above statement is true is that the exchange has established reliable selling connections in most of the different cities of the country and is selling direct to the legitimate wholesale buyers and eliminating the speculator to a large degree.

We feel that the exchange has accomplished more in its first year than might normally have been expected. It has established a new system of grading; it has adopted a better and stronger package; it has assumed a dominating position in the honey industry and it has in its infancy demonstrated its ability to outsell its strongest competitors. It has accomplished very great savings in the purchase of supplies and containers. The strong cooperative spirit of our members has overcome tremendous natural obstacles and difficulties; lack of acquaintance between our members was a severe handicap. In spite of this the exchange has grown until it has now almost a thousand loyal members.

The income from the 1918 crop bids fair to fully equal expenses. If this be true in a lean year, what may we not expect with a normal or bumper crop? The exchange will during the winter months develop any possible improvements in its service or increase in its departments which may appear of benefit to members, believing you will share with us in the extreme satisfaction of knowing that the beekeepers of California are now masters of the situation and will look with confidence toward the future possibilities of beekeeping by reason of our organization.

Our remarkable growth is demonstrated as follows:

At the time the exchange was organized, Los Angeles had in the neighborhood of 2000 colonies signed; she now has nearly ten times that many signed.

San Diego County has grown to exceed 200 members, owning in excess of 20,000 colonies. The exchange is shipping every carload produced in San Diego County this year. This is also true in Inyo County, and other locals are doing nearly as well.

At the time we organized, the exchange had no members in the Palo Verde Valley. Our manager recently visited that country and we now are able to report 100 per cent membership there, who are contributing five or six carloads of honey.

The unorganized beekeepers of Arizona, learning of our progress and unable to market their honey to their satisfaction independently, have resolved to organize two local exchanges, one at Yuma and one at Phoenix, to affiliate with our exchange. One of these new Arizano locals will contribute about eleven carloads of honey. See what this means to our organization movement and witness the tribute paid to the exchange service!

On a recent trip to the Kern River country, the manager of the exchange visited a spot where the organization was weak, with the result that in the northern end of the Antelope Valley we now have 100 per cent membership and the beekeepers there are perhaps the most enthusiastic cooperators we have. Important strides have likewise been made in the increased membership of the Kern River country, of the Central Valley Honey Exchange, of the Orange Belt Exchange, and in fact all of the locals are able to report increases.

If the exchange services had cost us 5 cents per pound for the first year instead of about 1 cent per pound, we feel it would have been worth while in view of the objects attained. One important achievement is the extremely favorable attitude of the legitimate buying public toward this exchange. The business has been taken out of the hands of a few wealthy honey speculators and the policy of our exchange has been to stimulate business with the legitimate buyer and encourage more dealers and bottlers of honey everywhere. Your exchange extends and receives a fraternal sentiment on the part of every organization of beekeepers everywhere. It has gone far to encourage new organizations of beekeepers everywhere.

Withal the new exchange package was a big step forward, we can promise you our best endeavors to constantly improve it. We have taken advantage of our experiences during the past year and concerted efforts are being made to improve our standard cans for 1920.

If apparent neglect has at times crept in, our members will realize the extent of our undertaking and share our conviction that the work of serving our ten locals with their nearly 1000 members has been accomplished with remarkably few employees in our state exchange office, who must needs have been sufficient.

We extend greetings to you in this anniversary period, and remain,

Very truly yours,

BOARD OF DIRECTORS OF THE CALIFORNIA HONEY PRODUCERS
COOPERATIVE EXCHANGE.

| | |
|-------------------|-----------------|
| Willis Lynch, | Wm. Guntermann, |
| H. F. Mellen, | Chas. C. Orr, |
| E. W. Horne, | Fred K. Howard, |
| Harris Weinstock. | |

ALFALFA AND MILO MAIZE.

In response to urgent requests of alfalfa growers throughout the state in 1918, I commenced the formation of the organization now known as the Alfalfa Growers of California, Inc.

A meeting was held at my office on April 10, 1918, at which were present representative growers together with delegates from a local association from the southern part of the state, known as the California Alfalfa Growers Association.

At this meeting a plan of organization was adopted, nonstock, non-profit in form, a promotion committee was appointed and the campaign for membership launched.

My preliminary investigation had developed many surprising facts in the marketing of alfalfa and I was convinced that a plan of collective marketing was not only an urgent necessity among alfalfa growers, but would materially benefit other struggling and important industries to a great extent dependent upon its production, such as dairying. Because of this I was firmly convinced, moreover, that ultimate consumers were largely interested and would also greatly benefit through the stabilizing of the alfalfa market and its greater production. This latter could only be assured by obtaining for the grower a reasonable profit on his operations, thus enabling him to continue to produce and encourage him to increase his acreage.

Increased production, plus scientific and efficient marketing, are primarily important, both to producer and consumer. While alfalfa, owing to its great value as a fodder, had experienced a rapid growth in acreage throughout the state, it was found that during the last few years production had materially decreased, and farmers were inclined to convert alfalfa acreage into some more profitable crop.

The reasons for this were manifold. Not only had costs gone up tremendously, but the difficulties of financing were unusual. The most important difficulty, however, was found in the severe fluctuations in prices, as a rule, to the loss of the producer, and to the detriment of the consumer.

The chief beneficiary, under those conditions, was the speculator or broker. As alfalfa produces several crops covering the spring and summer, its harvesting and warehousing for fall and winter consumption must be financed. Individually unable to hold his hay for long, the alfalfa producer as a rule has been forced in the past to throw his crop on the market early in the season, thus bearing down the price. In this way the producer seldom received the benefit of the later rising prices, when, with the crop practically out of first hands, the *speculator reaped the harvest of the high prices incident to fall and*

winter demand. In the past it was found prices often fluctuated from \$8 a ton baled, to \$30 a ton.

The continuation of this condition could only result in a still further reduction in acreage, and less to producer, and ultimately bring about far higher prices to consumers.

It was realized that collective action alone would be the means by which the industry could be stabilized, the speculative features eliminated, and the grower assured of the full market value of his product, at the same time affording alfalfa consumers full protection against inflated prices.

The California Alfalfa Growers Association, operating south of the Tehachapi, had already demonstrated in a small way what could be accomplished in a much larger degree by a statewide association. This, therefore, formed the nucleus of the new organization.

Inasmuch as it was desired to handle the 1918 crop, if possible, the campaign for membership was intensive in character. Several solicitors were sent into the field and many large meetings of growers were held throughout the state, whereat the State Market Director was enabled to explain the aim of organization to the growers. By August 30, with 800 members signed up, representing some 25,000 acres of alfalfa, the organization committee considered the amount sufficient to incorporate.

Temporary directors were chosen, a sales organization was established, and the handling of much of the 1918 crop of the members was soon in full progress.

The effect of unified action on the part of the growers was noticeable and in place of being forced to take the offer of the nearest buyer, members were able to profit through access to markets not theretofore available.

Arrangements were also made to warehouse such holdings as members desired.

During the past year this feature has received special attention, with the result that local warehouse companies are rapidly being formed in the most central districts, and under advantageous conditions, all under the direction of the central organization.

A pooling system has also been inaugurated whereby shipments of members to a central point during the term of the pool will return to those members equally, the same net price per ton for like grades of hay. In this way varying freight rates are equalized and losses fairly distributed.

Proper uniform grading methods have been established, resulting to the great advantage of both the members and consumers.

Early in 1919 growers of milo maize and Egyptian corn, particularly in the Imperial Valley, who had been producing and marketing their products under exceedingly adverse conditions, besought the aid of the association and the State Market Director. The marketing of these products, possible under the by-laws and articles of incorporation of the alfalfa association, was approved by the directors, and as the result of meetings held throughout the milo maize growing districts a large acreage was signed up.

General manager Geo. H. Emery has submitted the following statement relative to the activities of the association:

The breaking up of the large open ranges of the West, making them unavailable for the cheap production of beef and the support of other forms of animal life, make it essential for the state seriously to consider methods and means of stimulating increased production of alfalfa, recognized as among the most valuable of hay crops by reason of its feeding qualities.

Unfortunately, the expense incidental to preparing lands for the production of alfalfa, the difficulty in harvesting and individual marketing, coupled with the comparatively short life of an alfalfa field, too frequently spell "loss" to the farmer and discourage future production.

The average farmer, who gives intelligent consideration to the solution of the problems presented, deplores even more than does the consuming public, the wide fluctuations in price at various seasons of the year, and for the reason that the price is at its lowest ebb at the harvest period. He is not always so fortunately situated as to be able to carry his crop over, even though he may have certain knowledge that the price will materially increase at a later period, when he will have no alfalfa to market.

He further realizes that the high prices paid at certain seasons of the year enure not to the benefit of the farmer, but to the speculator, who, for his own benefit, and through the disadvantage on the part of the farmer, depresses prices during the harvesting season in the expectation of thereby reaping a large return at a later date, at the expense of both the farmer and the consuming public.

One of the basic reasons for the existence of the association, and one of the fundamental principles on which it was founded, is its endeavor to stabilize the price of alfalfa and prevent those great fluctuations that have prevailed in the past, between the times when the cuttings are frequent and heavy in the spring and early summer, and those that are of slower growth, and light, in the late fall.

Artificial fluctuations in price result in detriment not only to the farmer but to the consuming public, for since alfalfa is a bulky product, the ordinary consumer is required to purchase his supply in small quantities, comparatively speaking, and can not purchase during the season, when the prices are low, sufficient to carry him over throughout the year. As a result, he is at the mercy of the speculator and must pay whatever prices the latter sees fit to charge. If, then, this speculation be eliminated, and the farmer assured a stable price for his product, based upon the actual cost of production, and sufficient to yield a fair return for his labor and investment, he will be encouraged to increase his acreage rather than to diminish it, as has been the case in the past.

If, coupled with this stabilization of prices and production, the markets for California alfalfa can be extended throughout the United States, we have every reason to believe that the returns to California for alfalfa produced can not be measured in dollars. There is no question but what the association has been instrumental in the stabilization of prices during the summer of 1919, for where the association has been represented by a considerable number of growers in any district, there has not been, in that district, as wide a difference in the price paid the growers as formerly existed.

The farmer should know the actual cost of production, just as thoroughly as the manufacturer of any articles produced in a machine shop or foundry would know the cost of his product. The grower's knowledge as to this cost may undoubtedly best be encouraged through his association. When the cost of production is ascertained and given to the public, the grower will not be expected to sell his hay at a loss. To

this end, the association is planning to carry on an active campaign of education during the coming winter for the production of better and larger crops of alfalfa. This campaign will demonstrate to the farmer that inefficiency, waste, useless costs, speculative profits, useless movement, congestion or any unbusiness-like act in the process of distribution is just as reprehensible as a similar waste or extravagance in production. It will also be shown that the best friend of the producer is a consumer and that any element or act that adds more than an absolute minimum cost to the product from the field to the feeder is an economic waste. This educational campaign will demonstrate further that the selling price of the product should be based upon the cost of production, and that the best interests of both producer and consumer will be realized only through the cooperative activity of the producers themselves in every avenue of production and distribution.

To stabilize prices and production is the ultimate aim of the Alfalfa Growers of California, Inc., and is their declared purpose, as stated in their by-laws, being as follows:

"Section 1. **MARKETING.** The association was organized by alfalfa growers throughout the State of California, pursuant to a preliminary subscription agreement, along lines suggested and approved by the State Market Director, a public official of the State of California, for mutual help, in the interest of the producing and consuming public, and for the purpose of creating a central marketing agency to encourage and standardize the production of alfalfa through the extension of markets, the more equitable distribution of the product and the elimination of speculation, enable the grower to obtain for his products a price reasonably commensurate with the cost of production, while at the same time assuring to the consumer a constant supply at a price fixed by the true law of supply and demand, free from artificial fluctuations and speculative control.

"Section 2. **LIMITATIONS.** The association shall not engage in the business of marketing generally, but shall confine its operations primarily to marketing the crops of its members and the rendition of such service as may come within the legitimate scope of its objects and purposes, as stated in its articles of incorporation, and to the conduct of such other business and affairs as may be incidental to the accomplishment thereof."

The association is founded on the principles that alfalfa and milo maize are economically valuable crops, that their production should be and is good business for all concerned, and that through cooperative distribution and sale the gamble is eliminated. There should be no gamble in producing food for feed.

The service of the association will result in a splendid stimulation of production. The uncertainty of a market will be eliminated and the producer can, with confidence, devote himself to intensive production. Therefore, varying local and state conditions and manipulations of supply and demand have made the experience of the producer similar to a continuous gamble.

Upon distribution depends success or failure of the alfalfa grower, and in the past this most important function has been left to private agencies whose financial success depended upon radical changes in the market prices.

The association will handle this season the products of many thousands of acres of milo maize. For this purpose warehousing facilities have been organized in producing districts to permit the distribution of the crop as consumption requires. This is an at-cost service and is a mutual benefit, a service which previously has been given by private agencies and privately owned warehouses, but not on an at-cost basis.

There is now before the Railroad Administration, for decision, a petition for the privilege of warehousing in transit for ground alfalfa or alfalfa meal, as is permitted in grain. If this is granted, it will be a big advantage to the industry, as it will permit the association to collect at central points, small lots of meal from its individual members. The facilities of obtaining cars quickly at such central distribution points are much better than at the small interior shipping points. As meal is often moved in large quantities, it is very important that the shipper should be able to obtain cars quickly and in numbers. This is very difficult to do under the present system. Another thing to be considered in this connection is the fact that our meal would, under normal conditions, be ground during the summer and early fall months while the big bulk of the meal going east would move later in the season, thereby necessitating the storage of some for perhaps several months. This can be handled

more efficiently and economically in one large warehouse at a central shipping point than by duplicating the service and equipment in several small country districts.

The possibilities of the meal of alfalfa hay are unlimited and would be the means of assisting in the development of the alfalfa industry in California, by removing the surplus from the market at certain periods of the year, when it is inclined to be glutted, thereby stabilizing the price to the local trade and opening up a market for a California product that is in beg demand in the East.

The freight rate on hay to Atlantic coast points is so high that it will interfere seriously with the shipment of alfalfa in the form of baled hay, but if converted into meal it takes a freight rate 50 per cent lower than in the baled form, while the capacity of a carload is increased 50 per cent by converting the hay into meal. This may be accomplished by portable mills moved from ranch to ranch.

The association is meal for its members, this year, considerable hay in the Bakersfield district. Arrangements have also been made to enter the field to a much more extensive scale in the spring in several districts that are especially adapted, on account of climatic and geographical conditions, to the conversion of their hay into meal. This will place them on an equal footing, for disposal of their alfalfa in the form of hay, with other districts more favored under present conditions.

The association has increased its acreage during the past year to approximately 46,000 acres, half of which is cut for the market, the other half being used for feeding purposes by the growers. The association has been doing some advertising in the local farm papers of the state, and as a result, many inquiries are being received from growers with a view of joining the association.

During the past season district offices have been opened in Oakland, Fresno, Bakersfield, and El Centro. Others are to follow, as the business warrants. These offices are in charge of district managers, with power to make collections and settle all accounts of the growers under their jurisdiction. Aside from these district offices, local offices in charge of fieldmen are located in each community where the association is represented by a sufficient number of members. These fieldmen are in personal touch with the individual growers of the respective communities, and report direct to the district officers who, in turn, are in close touch with the home office in Los Angeles.

In each of these communities advisory boards, composed of from three to five members, act in the capacity of a local board of directors, holding meetings at stated periods, and reporting local conditions to the home office. The home office, in turn, keeps in weekly touch with all the advisory boards in the state, particularly in relation to market conditions throughout the state.

Members have manifested much interest in the establishment of central local warehouses throughout the state. As a result warehouse companies are being formed, and temporary warehouses leased until such time as the members in the different districts build their own.

Such warehouses will be under the control of the local district advisory board which in turn will have supervision of all the details of the warehousing and the issuing of receipts in the name of the association. This will place the association in a position to finance its members, and will remove the necessity of selling their hay when the market is depressed, as in the past.

All these warehouses will be operated under the guidance of the state association, which will periodically audit the books. The same forms and system of bookkeeping will be adopted throughout the state.

The association is consummating arrangements that will enable it to advance to members 60 per cent of the value of a shipment immediately upon receipt of the shipping papers, the balance to be paid strictly within a time limit of thirty days. This will remove a big stumbling block which has interfered with the complete success of the association in the past.

In the early spring, a considerable number of our members who were interested in the growing of milo maize and Egyptian corn petitioned the association to organize a branch in order to handle milo maize. The acreage represented by these petitioners was so considerable that the association was induced to enter this field, and now represents over 12,000 acres of milo maize and Egyptian corn, gaining more acreage continually.

During ten days in the month of October practically all of the milo maize and Egyptian corn growers in the island district south of Fresno organized and joined the association, forming the first warehousing company under the guidance of the association.

The association controls approximately 25 per cent of the output of milo maize in the Imperial Valley. This district is already planning for warehouses and elevators of their own next season, when they expect to represent over 50 per cent of the acreage of their district.

The idea of the cooperative marketing of this product appeals very strongly to all the milo maize growers as it is a product which has been subjected, in the past, to a great deal of speculation and fluctuations between the time of harvesting and the ultimate delivery of the crop to the consumer. The association, so far, has been very successful in placing a great many of its orders direct with the consumers, thereby returning to members a better price than under the old system, and without any increase in cost to the user.

As related in general manager Emery's statement, the association has recently given much consideration to the development of Eastern markets for alfalfa and alfalfa products. By utilizing transportation facilities via the Panama Canal, it has been satisfactorily determined that Atlantic seaboard markets will be within reasonable access of the association, particularly for ground alfalfa and alfalfa meal. Where baled alfalfa would be prohibitive for Eastern marketing, owing to its space requirements and higher freight rate, shipments of meal and concentrates are made easily possible, and more often profitable. While heretofore the supply has been practically sufficient only for domestic purposes, it is foreseen that in the case of gluts in the local market, with the consequent lowering of prices, to the disadvantage of the grower, the availability of outside markets is important. The Atlantic seaboard, with its tremendous dairying interests, provides practically an unlimited demand for alfalfa, even at rates sufficiently above California prices to make it possible to ship meal at a greater profit to local producers than otherwise would accrue to them in the case of gluts in the local market.

In this connection the association wrote me as follows, in May, 1919:

We have your favor of the third instant advising us of the movement of 250 tons of hay from San Francisco on government vessels via the Panama Canal, and thank you for all the information contained in your letter.

We are receiving, almost every day, wires and letters from our brokers through the Middle West and southern tier of states along the Atlantic Coast, giving us information as to the prices on alfalfa hay and meal within their respective territories, and learn that the possibilities for marketing alfalfa meal are unlimited.

At this writing, we have concluded that the export surplus of hay can be disposed of within the United States in alfalfa meal form, to much better advantage than to double compress it and ship it to outside markets. By converting it into alfalfa meal at point of origin, we eliminate the baling cost and the labor difficulties accompanying it and prepare our product in such form that it enjoys the lowest carload rate of freight applicable to all cereals, either in bulk or sacks, from common Southern Pacific or Santa Fe California shipping points to the common Middle West or extreme Eastern destinations. We also raise our product from a cheap, raw, bulky state to a highly finished condition, in which form other avenues of distribution are open for its sale within the United States.

The organization has steadily grown throughout the year. From the original membership representing 25,000 acres, the organization now markets the product of some 2000 members representing 46,000

acres, as well as some 12,000 acres additional in milo maize and Egyptian corn.

Since its initial operations the organization has not lost a cent in bad accounts. It has, however, provided indemnity against loss and at the same time through advantageous financial arrangements is enabled to make advances to growers of 60 per cent of the value of shipments, a necessary factor to the grower who because of numerous crops must finance himself for his operations. The formation of this organization has unquestionably proved of distinct benefit to the entire state and has stabilized the market, eliminating the features of wide fluctuations and speculative activities that had heretofore worked great harm to the industry.

CALIFORNIA WINE GRAPES.

Enactment by Congress of the prohibition enforcement act has aroused wine grape growers to the urgent necessity of action looking to the finding of future permanent markets for California wine grapes after January 16, 1920, when prohibition by constitutional amendment becomes effective.

While growers have been able this season to market a large part of their tonnage of fresh grapes outside of the state, with the advent of prohibition even this market is cut off. In order to save his investment, therefore, the wine grape grower is faced with the problem of finding new markets.

Many possibilities have been suggested, among them processing in such form as will make the grapes most marketable, either as dried wine grapes, grape syrups, grape juice, dealcoholized wines and other grape products. In any of these classes it is thought that both domestic and export markets may be found that will ultimately prove a solution for the grape growers' difficulties. Alone, however, the individual grape grower would in most cases be unable to undertake satisfactorily either the processing or the marketing problem, and at the same time be assured of obtaining the full value of his product. With collective action for processing and marketing, however, it is felt that these problems can be solved.

These problems assume manifold proportions when it is realized that the annual wine grape production in California is estimated at 400,000 tons. Based on prices of the past season, this crop has a valuation in the neighborhood of \$12,000,000.

With these thoughts in mind, conferences were held with President Frank T. Swett and Secretary H. F. Stoll of the California Grape Protective Association, E. M. Sheehan, former secretary of the State Viticultural Commission, and other grape growers. As a result a large mass meeting of prominent grape growers throughout the state was held at the office of the State Market Director on November 6, 1919. At this meeting the problems confronting the wine grape growers were thoroughly reviewed, resulting in the unanimous decision to organize a cooperative marketing association.

An organization committee was immediately elected, composed of the following growers: Ephraim Light, Calistoga, Napa County; C. E. Humbert, Cloverdale, Sonoma County; Chas. Crawford, Ukiah, Mendocino County; Claus Mangels, Cordelia, Solano County; Frank T. Swett, Martinez, Contra Costa County; Albert Haentze, San Jose, Santa Clara County; C. H. Wentz, Livermore, Alameda County; E. H. Frye, Franklin, Sacramento County; George Wilhoit, Stockton, San Joaquin County; T. H. Kewin, Modesto, Stanislaus County; E. V. Kelly, Fresno

Fresno County; Frank Wilson, Dinuba, Tulare County; H. H. Thomas, Cucamonga, San Bernardino County; Secondo Guasti, Los Angeles, Los Angeles County; H. M. Landsberger and E. M. Sheehan, San Francisco.

The form of organization as adopted at this meeting is nonprofit and noncapital stock in character. It is believed that through such an organization waste in the cost of distribution will be eliminated, the industry stabilized, and most important of all, foreign and domestic markets may be developed, especially for the dried wine grape, for which the possibilities appear to be most encouraging.

Such an association will be able to do for the wine grape grower what he individually would be unable to do for himself. The finding of markets for this huge crop of wine grapes presents many difficulties, not the least of which is the processing in such economical form as will be most available for marketing. Through a marketing association it is felt that the highest market value of the product may be secured for the grower at the lowest cost of processing and selling.

The organization committee is keenly alive to the necessity of prompt action, and with the aid of this department is perfecting the subscription and marketing agreements and formulating plans for an aggressive membership campaign to be completed in time to handle next season's crop.

CALIFORNIA ASSOCIATED RAISIN COMPANY.

The California Associated Raisin Company was organized several years before the State Market Commission was created, and was a going and highly successful marketing association prior to the enactment of the state marketing law.

I have heretofore made it a practice to confine my reports to such associations only as were organized with the aid and cooperation of the State Market Director. I am making an exception to this rule in this report so far as the California Associated Raisin Company is concerned, to the degree at least of publishing herein the statements made by President Wylie M. Giffen of the Associated Raisin Company, and the State Market Director, before the Federal Trade Commission in Washington, D. C., in November, 1919.

During the summer of 1919 complaints were registered by a group of California packers with the Department of Justice at Washington, D. C., charging the California Associated Raisin Company with being a monopoly and with acting in restraint of trade in violation of the Sherman Antitrust act. The Department of Justice referred the matter to the Federal Trade Commission with the request that it investigate and report its findings to the Department of Justice.

President Giffen of the California Associated Raisin Company was thereupon invited to attend a hearing held in the matter in Washington, D. C., called for the latter part of November, 1919, by the Federal Trade Commission. President Giffen felt that in the public interest it was important that the State Market Director present to the Federal Trade Commission this argument, from the standpoint of public policy and public welfare, in relation to the issues involved in the complaints registered against the Raisin Company by the packers.

Accordingly, with the consent and approval of Governor Wm. D. Stephens, the State Market Director attended the hearing in Washington, D. C., and presented the point of view from the standpoint of public policy.

The issues involved vitally affect so many other farmers' marketing associations in California and elsewhere, that I deem the matter of sufficient interest and importance to make as a part of this report the following two statements:

WASHINGTON, D. C., November 20, 1919.

*To the Federal Trade Commission,
Washington, D. C.*

GENTLEMEN: I desire to point out to your honorable body that the state administration of California is in full sympathy with the objective of the Federal Trade Commission in its efforts to minimize profiteering.

Our administration stands ready to cooperate with your commission to bring exploiters of the public to justice and to aid you in every way to protect the public interests.

While, as the State Market Director of California, I am not here as an advocate of nor as a pleader for the Associated Raisin Company, I feel that as a matter of

justice, certain considerations affecting the welfare of the state involved in the issue before you, should be brought to your consideration.

If the facts, however, should be against the Raisin Association, we should be at one with you in the feeling that the association should be treated in full accordance with the law.

I am here as the representative of the California State Market Commission for the purpose of presenting to you for your consideration in dealing with cases such as that of the Associated Raisin Company the angle of the issue from the standpoint of public welfare and public policy.

The world's ablest thinkers have pointed out, and have thus far not been successfully contradicted, that the prime remedy for the present abnormal state of unrest is increased production, more especially of foodstuffs.

The vast areas in the former Russian Empire and the Balkan States, with their teeming millions of food producers, have largely been put out of commission, to say nothing of the great food producing areas in devastated France and Belgium, which can not be rehabilitated, so to speak, over night; and to say nothing of the millions of men killed and incapacitated during the recent war, who represented the world's best food producing brawn and muscle.

If revolution comes from beneath in this and in other countries against existing governments, it will be because a lack of human necessities has played into the hands of the Bolshevistic and I. W. W. revolutionists. By ascribing the wrong causes to diminished food supplies, their aim is to so influence the minds of the unthinking proletariat as to rouse him to the wildest action, thus making him a most serious menace to our form of civilization and government.

For the want of better immediate ways of dealing with the revolutionary spirit, force and repressive methods are being resorted to by existing governments. These means, at best, are dangerous. Force begets force and repression begets repression. An empty stomach is hard to reason with and, as a rule, knows no law. The Bolsheviks and the I. W. W.'s, as a rule, get little response to their revolutionary appeals from the prosperous and the well fed. The best weapon then, with which to fight these enemies of law and order is to increase production and to fill the world's markets with abundant foodstuffs.

It is at this point where the tiller of the soil can render the world at this critical period the highest and the greatest service. Already the American people have been placed under obligations to the American farmer during the recent war to a degree which they can never repay.

It will be recalled that early in our war with Germany, the cry went forth to the American farmer from the Washington administration, "Food will win the war; produce, produce." You will also recall how nobly the American farmer responded and how production on the farm was tremendously speeded up.

While the German people were starving, the American soldier in Europe was the best fed soldier in the world, to say nothing of the food furnished by the American farmer to feed the allied armies.

The recent publication of Gen. Ludendorff's story, *The Great Administrator of the German Army*, tells how Germany's defeat was primarily due to the fact that the lack of foodstuffs in Germany completely destroyed the morale of the people of Germany, who in their hunger demanded a cessation of the war at any price, finally rose in their might and forced the abdication and flight of the Kaiser and compelled the army to ask for an armistice.

Not least among the American farmers who helped to bring all this about was the farmer in California. I am of the opinion that he furnished considerably more than his quota of the increased food supply. One of the great factors in aiding him to do this was his cooperative marketing associations. The number and the size of these associations in California have grown to such proportions that their estimated output for 1919 is \$250,000,000. This vast volume of farm products was cooperatively marketed at the lowest cost for distribution, with substantially every element of waste in the cost of distribution cut out. The products were sent to market after being most scientifically graded and standardized, so as to insure to the consumer only such foodstuffs as were fit to eat. Without putting any burden on the consumer, but on the contrary insuring him the best qualities at the lowest prices, the California cooperative marketing associations, by cutting out waste in the cost of distribution and also by cutting out, as a rule, the profits of former speculative buyers, secured for the grower the fullest share of the consumer's dollar. This made it more nearly possible for the farmer to make a living and had a most potent effect, not only in keeping him producing but in encouraging him to enlarge his productive activities.

These cooperative marketing associations have been a thorn in the sides of the speculative buyers, so much so that they have expended great sums of money and have made tremendous efforts to kill off these associations. During the last two sessions of the California legislature nothing was left undone on their part to have the existing California marketing law repealed and the State Market Commission abolished. The question of the Market Commission developed into one of the greatest issues that these legislative sessions had to deal with. At both sessions, however, the enemies of farmers' cooperative marketing were overwhelmingly defeated and the marketing law was sustained. This was due to the fact that the legislature, after a most exhaustive inquiry, became convinced that these farmers' associations were in the public interest and were conducive to the public welfare. They felt that it would be in the nature of a public calamity to wipe out such associations and thus make possible the return of conditions which prevailed in California during the decade between 1900 and 1910 before the marketing associations were to any extent brought into life.

The state agricultural reports for California show, for example, that between 1909 and 1910 the number of fruit trees planted to deciduous fruits decreased fully 19 per cent, due largely, it may be said, to the fact that the farmer was unable then to make a living.

That production has been increased since the period of the agricultural organization movement, however, is indicated by the same reports showing that between the years 1915 to 1918, canned fruits and vegetables increased from \$3,340,000 cases to 17,230,000 cases, or 106 per cent advance.

In the dairy industry in California, organization had not been consummated to any extent before the year 1915. The agricultural records show that total dairy production amounted to 70,562,000 pounds in 1912, and to 90,860,000 in 1915, an advance of barely 29 per cent. After organization, however, by 1918, production of these products had increased to fully 127,581,000 pounds, an advance for the organized period of 40 per cent over 1915, as against 29 per cent for the preceding unorganized period, and accomplished in the face of a much greater rate of increase in the cost of production.

The legislature seemingly realized that the farmers' cooperative associations had become one of the most valuable assets to the state and that they should be nursed and encouraged; and that the state should through its State Market Commission continue to furnish them with leadership, precisely as the federal administration through its Federal Bureau of Markets furnishes leadership to farmers to aid them in their interstate marketing. The State of California is therefore greatly concerned in the outcome of these charges against the Associated Raisin Company. A judgment adverse to the association spells for the state a retrogressive agricultural movement likely to prove most serious and harmful in its results. It would also tend to frighten the banks who have made large advances to growers' associations, and thus would likely seriously cripple their credit, thus greatly disturbing great commercial and agricultural activities. Diminished production would also greatly disturb existing land values and seriously affect the value of many millions of dollars' worth of loans made by savings banks to individual producers.

In the interest of public welfare and as a matter of public policy the hope is therefore expressed that the speculative buyers who at this time are endeavoring to cripple the Associated Raisin Company by making charges against them which so far as my investigations go can not be sustained, will fail as completely as did their fellow speculative buyers in California in the endeavor, through the California legislature, to destroy the cooperative marketing associations generally.

The complainants in this case doubtless realize keenly that a verdict at your hands against the Associated Raisin Company will not only affect unfavorably the raisin association, but every other cooperative marketing association in California and throughout the whole country as well. An unfavorable verdict at your hands would be heralded by them broadcast, as a verdict against cooperative marketing generally. In my opinion such a verdict would be used by them to frighten off timid growers from joining such associations and it would further, in my opinion, be used by them to poison the public mind against supporting such activities, on the ground that they "frighten" the consumer. Such a circumstance would do more to discourage production among farmers than any other one thing that I can think of and to that degree it would be in the nature of a most unfortunate policy against public welfare.

I feel that in addition to the most convincing facts and figures presented to you by President Wylie M. Giffen justifying the prices charged for raisins this season by the association, I am sure that the questions of public welfare and public policy involved in this issue and presented herewith, will likewise receive at your hands the fullest and most serious consideration.

It has been contended among other things at this hearing by the complainants that the Associated Raisin Company is a stock company pure and simple and therefore is not in any way entitled at your hands to consideration as a farmers' cooperative marketing association, but should be treated precisely as would be a commercial packer.

Your attention is called to the fact that the State Market Commission of California has two classifications for growers' capital stock associations. Class "A" includes such growers' capital stock associations as distribute the returns realized over and above the purchase price paid by the association to its members, on the basis of shares of stock held by each member, regardless of tonnage furnished to the association. Class "B" includes such growers' capital stock associations as distribute the returns realized, over and above the purchase price paid by the association to its members, on the basis of tonnage furnished by the member, after deducting operating cost and not to exceed say, 8 per cent interest on the investment and regardless of the amount of capital stock held by the member.

These latter associations are regarded by the State Market Commission as being wholly cooperative, as much so as the so-called nonprofit, noncapital stock associations; because as in the case of the nonprofit, noncapital stock associations, the grower belonging to class "B" associations gets every cent realized for his product, less interest on invested capital and less actual operating costs. No one connected with such associations is permitted to make a commercial profit. The Associated Raisin Company comes under classification "B" and is, therefore, regarded by the State Market Commission as a farmers' cooperative marketing association pure and simple and entitled to every consideration as such.

It is regrettable to some that the growth of the farmers' cooperative marketing associations have affected unfavorably the profits of packers and speculative buyers and that such farmers' associations are tending to minimize the activities of such factors. If so, it is a question of a conflict in distributing systems. All progressive movements unavoidably affect unfavorably the interests of the few, but, as a rule, prove a benefit to the many. Every invention of labor-saving devices, every more economic method of production and distribution, has been in the nature of a misfortune to the few brought into conflict with such devices and methods, who can not adjust themselves to the changed conditions. Such changes, however, as a rule, have proven a blessing to the many, and in due course, the few unfavorably affected have not been missed by society. If then, the end to be sought is the greatest good to the greatest number, farmers' cooperative marketing associations deserve to be encouraged in every way, despite the fact that such activities may be inimical to the interests of certain factors who, at best, number an inconsequential few.

The speculative buyers and private packers served, in their time, a useful and important function as processors and distributors, precisely as the cab in its time served a useful purpose. Just as the taxi has in the common interest displaced the old-time cab, so is the farmers' marketing association, in the common interest, displacing the private packer and speculative buyer.

In the past California was a graveyard for farmers' marketing associations, due primarily to three causes:

(a) Insufficient capital.

(b) Insufficient credit.

(c) Lack of a binding legal obligation on the part of the member to sell exclusively through his association.

Profiting by many sad past experiences, the more recently organized California farmers' marketing associations have made provision in organizing for adequate capital, which as a rule would justify a reasonable banking credit. This policy has saved many existing and successful farmers' marketing associations from failure and destruction.

As State Market Director, whose function under the law is to furnish leadership and to aid the farmers of California in organizing farmers' marketing associations, I have consistently advised and urged the members of proposed associations to make provision for ample ways and means. I have also consistently discouraged proposed associations from organizing where they were not likely to be able to provide adequate working capital.

I have further insisted, as State Market Director, in pain of my refusal in any way to aid or to encourage the formation of proposed marketing associations, that provisions be made in by-laws and crop contracts penalizing members who wench on their agreements with the associations and who sell their products to outsiders.

Observation and experience had burnt into my mind the fact that otherwise members would be seduced away from their associations by speculative buyers, having as an end the disruption of the associations, by offering members temporary

tempting prices regardless of market values. This inevitably means making of the proposed association a rope of sand and ends in disintegration.

It may be argued by the packers and speculative buyers that establishing conditions on the part of the associations which no longer make it possible for speculative buyers and packers to operate in competition with the associations is restraint of trade. Experience, however, shows that the associations have by national advertising and other progressive methods greatly broadened and increased trade to the advantage of the retailer, the wholesale distributor, and the consumer.

In conclusion, I am prompted to bring to your attention the following:

For my information I desired to ascertain the current market price of dried wine grapes. I wanted this information in order to satisfy myself as to the reasonableness of the prices fixed by the raisin association for its raisins.

I was aware that the complainants in this case maintained that because the raisin association controlled substantially 90 per cent of the output, it had taken advantage of the situation by profiteering and exploiting the consumer. The inference, therefore, followed that in the absence of a raisin association, with prices left to the open market, such prices would have been materially lower.

It so happens that the dried wine grape is sold more or less as an inferior raisin and to that degree comes into competition with the lower grades of raisins. It also happens that the wine grape growers in California are not organized. It would, therefore, seem that the prices of dried wine grapes sold in the open market should be much lower than the graded and standardized qualities of raisins. But what are the facts? I communicated with the secretary, E. M. Sheehan, of the former Viticultural Commission of California, to ascertain the market prices of California dried wine grapes and his statement as shown in his telegraphic reply attached herewith and marked "Exhibit A," is as follows:

"Grange receipts thirteen quarter cents per pound dried wine grapes Yountville or about sixteen cents New York. Not exceptional. Eastern shipments other growers sacked black dried wine grapes brought fourteen cents pound shipping point. Whites twelve half. Have sold for University black dried unstemmed thirteen half cents sacks Davis. Practically no dried grapes now in first hands this market now sixteen cents. E. M. Sheehan. (Former Secretary California State Viticultural Commission.)"

The foregoing shows that the poorest quality of dried wine grapes sold in California on the sweat box basis for 12½ cents per pound, the better quality for 14 cents per pound, and that the present market price in California is 15 cents per pound. In other words, the raisin grower, through his association, got 10 cents per pound sweat box basis, as against 12½ cents, 14 cents and 16 cents received by growers of dried wine grapes. Thus the grower of the poorest quality of dried wine grapes commanded 25 per cent more than did the members of the Raisin Growers Association, and the growers of the better grades of dried wine grapes got from 40 to 60 per cent more than did the members of the Raisin Growers Association for their superior product.

I am sure it will be admitted that the real market value of an article regardless of its cost of producing is what it will bring in the open market, in other words what it will bring in accordance with the law of supply and demand. The dried wine grape is being sold in the open market free from any control or regulation and has commanded from 12½ cents to 16 cents per pound, whereas, the raisin, admittedly a superior product, realized for the members of the Raisin Growers Association 10 cents per pound and seemingly there was not enough at that price to supply the demand, despite the fact that the 1919 crop is the largest in the history of the California raisin industry.

I anticipate that the complainants may make answer to this and claim that this seemingly abnormal price that is being paid for dried wine grapes is because they are being largely used for wine making purposes. The reply to such contention is that wine making is illegal and that we have no right to assume that dried wine grapes are being used illegally until it is so shown in the courts. Furthermore, if it is a fact that the dried grape is being illegally used for wine making, and that its market price is thus enhanced, the same can be said of the raisin, which likewise can be used for wine making with a consequent enhancement in price.

In the face then, of the unorganized wine grape growers obtaining in the open market from 25 to 60 per cent more for their product than the price received by the raisin grower, it is not clear to me how the charge of profiteering made against the raisin growers' association can stand. On the contrary, in view of the market price

of dried wine grapes and in view of the facts presented by President Giffen that the speculative buyers were paying growers more for raisins than the association was paying to its members, the people who in this instance have the real grievance, if there is a grievance, are the members of the Raisin Growers Association, who would be justified in complaining that in view of all the conditions, the management of the association did not secure for them in the way of price, all that might have been secured.

Summing up, we find that the world's greatest need at this time is increased production; that anything that hinders production should be discouraged and that everything that aids production should be encouraged; that the California farmer, as never before, is speeding up production; that the prime factor in encouraging him to produce has been his cooperative marketing associations; that these associations have tended to cut out waste, to raise standards, to develop markets, and to stabilize agricultural activities, all in the interest of the consumer as well as the producer; that the enemies of these associations are the speculative buyers who are leaving nothing undone to cripple the associations' usefulness and to put them out of business to the ultimate injury of the consumer and to the advantage purely of and for the profit of such speculative buyers; that an unfavorable decision in this instance on the part of the Federal Trade Commission will be used as an effective weapon against such associations by opponents in the endeavor to destroy public confidence in farmers' marketing associations, thus tending to discourage production; that the facts and figures presented by President Giffen make plain that the prices fixed by the raisin association were fair and reasonable prices and that the further fact that an inferior article such as dried wine grapes sold in the open market by unorganized growers is commanding today over 20 per cent more money than is being received by the members of the Raisin Growers Association is the amplest proof that the charge of profiteering made against the raisin growers can not stand.

The fact that the federal authorities through the Trade Commission and the Department of Justice are in a position to penalize unfair price making, is in itself and will ever continue to be a restraining influence and a check upon any possible tendency of farmers' marketing associations to exploit the consumer, especially if incorporated under the form of stock companies similar to the form under which the Associated Raisin Company is organized. Thus, with the Federal Trade Commission on guard, the public is afforded a complete protection, and the consumers' interests are fully covered.

Respectfully submitted.

(Signed) HARRIS WEINSTOCK.
State Market Director for California.

STATEMENT OF PRESIDENT WYLIE M. GIFFEN BEFORE THE FEDERAL TRADE COMMISSION.

To the Federal Trade Commission:

Our organization was formed for the purpose of alleviating, if possible, the terrible conditions of the raisin growers of California. For years our crops had been selling for less than the cost of production, the whole raisin industry was on the verge of bankruptcy, and at the same time the consumer was paying a price that would allow every legitimate interest connected with its distribution a profit, and at the same time give the grower a fair return for his work, but the difficulty was that our crops were being used by a few packing concerns as a gambler's pawn, and we believed the only thing necessary to bring prosperity to the industry was to eliminate speculation and put the distribution of our goods on a merchandising basis; and it was further our opinion that this could be done without, in any way, increasing the cost to the consumer. In this we were successful until the last year or two when values of everything have been put on an entirely different basis, than had prevailed before, by war conditions. Our critics seem to think that raisins are the only product that can be raised as cheaply now as in prewar years and are condemning us, without rhyme or reason, for doing now what practically every one else did two or three years sooner, and as a result of this criticism we were called before the Department of Justice and now before your own Commission to justify our present price, and we believe that we can do this and show to you that the motive which inspired us six years ago has not been swallowed by greed and avarice, but is still guiding us in our endeavor to ameliorate our own conditions without penalizing the consumer.

We believe that both from an ethical and business point of view, the present price of raisins is right, and for your guidance in a final decision we take pleasure in submitting the following facts:

In the first place we do not believe that there is a dried fruit—either domestic or foreign—that sells as cheaply to the jobber as do raisins. In evidence of this statement we submit "Exhibit A," consisting of the *California Fruit News* of August 23, 1919, which is a recognized authority in fruit circles, and gives the following prices:

| | | |
|---|-----|-----------------|
| Thompson seedless raisins—in cartons..... | 15½ | cents per pound |
| Dried apples in 50-pound boxes..... | 23 | cents per pound |
| Apricots in 50-pound boxes..... | 32 | cents per pound |
| Adriatic figs in 50-pound boxes..... | 23 | cents per pound |
| Calimyrna figs in 50-pound boxes..... | 26 | cents per pound |
| Black figs in 50-pound boxes..... | 19 | cents per pound |
| Peaches, as quoted by independent packers in 50s..... | 23 | cents per pound |
| Peaches, as quoted by Peach Association in 50s..... | 20½ | cents per pound |
| Pears in 50-pound boxes..... | 26 | cents per pound |
| 40-50 prunes, as quoted by independent packers in 50s..... | 21½ | cents per pound |
| 40-50 prunes, as quoted by Prune and Apricot Growers, Inc., in 50s..... | 16½ | cents per pound |
| Currants in original form..... | 20 | cents per pound |
| Currants, recleaned, in barrels..... | 23 | cents per pound |
| Currants in cartons..... | 26 | cents per pound |

NOTE.—Price of currants not taken from *Fruit News*, but is New York market.

In the same exhibit we are submitting chart showing in picture form the relative price of all dried fruits.

The above figures show that raisins are the cheapest of all the dried fruits grown in the world, and the following table will show that they exceed in food value per pound of any other variety of dried fruits.

| | | |
|---------------|------|--------------------|
| Raisins..... | 1605 | calories per pound |
| Currants..... | 1495 | calories per pound |
| Figs..... | 1475 | calories per pound |
| Prunes..... | 1350 | calories per pound |
| Apples..... | 1350 | calories per pound |
| Apricots..... | 1290 | calories per pound |

Another item worthy of mention, as indicated by these figures, is the fact that prunes, peaches and raisins are the three cheapest fruits in spite of the fact that they are under control of the three strongest organizations.

In this same exhibit we are submitting commerce reports published by the United States government, which, on page 895, shows that Spanish raisins have risen in price since the war embargo was removed to an average price of 11 cents per pound to the grower. Their raisins will, in quality, compare with our Muscat raisins.

We further believe that there is not a fruit—either fresh or dried—grown in California today, with the possible exception of dried peaches, that will not net the grower more on his investment than will raisins, and as evidence of this statement we submit the following comparisons:

The cost of production of figs is less than the cost of production of raisins, and the price to the producer is from 15 cents to 20 cents per pound, and figs are not controlled by any organization.

The cost of producing apricots is double the cost of producing raisins, but the price to the purchaser is three times as much.

The cost of producing prunes and raisins is practically the same, but the price to the grower for prunes is from 2½ cents to 3 cents more than raisins.

Dried black grapes, which are a very inferior article and not under control of any organization, are bringing the producer 14 cents per pound, and the production per acre is in excess of raisins with identically the same production cost.

Pears have sold at an average price to the canners of \$85 per ton, which would show the producer at least an acreage income of \$510, or two and one-half times the acreage income per acre of raisins.

The minimum price of cling peaches for canning has been \$60 per ton and the maximum price \$110, or an average of \$85, which would show an acreage income to the producer of \$510, or two and one-half times the acreage income of the raisin grower.

Apricots have also sold to the cannery for \$90 per ton, which would represent practically the same profit to the grower as pears and peaches.

Malaga grapes are selling at an average price of \$65 per ton, and \$45 per ton would be as much to the producer as 10 cents for raisins.

Emperor grapes are selling for \$100 per ton, which would be equal to 20 cents a pound for raisins to the grower.

None of the above products, except prunes and raisins, are controlled by organizations.

Cost of production sheet, "Exhibit B," was prepared for the Food Administration in the spring of 1918, and is based on the cost of production of the 1917 crop, which was a normal crop with ideal weather conditions. Since that time labor has increased 57 per cent, which we have added; other items on this sheet remain exactly as given to the United States Food Administration.

These figures reduced to an individual case would mean that the average grower with a vineyard of eighteen acres, with an average production of 1600 pounds Muscats, would have a gross production of 28,000 pounds, which would cost him to produce \$2,351.52 and his returns, if we should succeed in netting him 10 cents a pound, would be \$2,800, or a profit of \$528.48, above 7 per cent, making him 12 per cent interest on his investment. On a Thompson vineyard he would have a production of 36,000 pounds, which would cost him to produce \$2,909.52. If we succeed in netting 11½ cents his crop would bring him \$4,140, or a profit of \$1,230.48, above 7 per cent, or 17 per cent on his investment. As Thompsons represent about one-third of the total acreage, and most vineyardists have both Thompsons and Muscats, these figures would mean that the grower with an average vineyard would have twelve acres of Muscats and six acres of Thompsons with an annual production of 31,200 pounds that would bring him \$3,300, and his cost of production \$2,637.52, leaving a gross profit above interest of \$762.48, or 14 per cent on his investment. On the 1918 crop we only made expenses and no interest on our investment, so if the weather conditions are favorable and we succeed in paying the growers the prices as indicated above of 10 cents and 11½ cents, the result for the two years will show us an interest of 7 per cent per annum on our investment.

We have shown that the maximum profit to a Thompson seedless grower this year is \$1,230.48, and I wish now to show what the speculator is making on this same farm. I am submitting herewith five packages of Thompson seedless raisins bought at five different retail stores in Chicago, New York and Washington, a private brand package in Chicago:

| | |
|--------------------|----------|
| 1 package—Chicago | 30 cents |
| 1 package—New York | 28 cents |
| 1 package—New York | 23 cents |
| 1 package—New York | 24 cents |
| 1 package—New York | 25 cents |
| Average | 26 cents |

These packages are of the 1918 crop which were sold by us f.o.b. California at 9.9 cents, adding the freight, 12½ per cent for the jobber and 25 per cent to the retail merchant, these packages should retail at 17½ cents and 18 cents. In other words, we find that either the wholesale merchant or the retail merchant is making 8 cents per package above legitimate profit. Carrying this back to the California vineyardist, who has eighteen acres of vineyard that produces eighteen tons, the speculator's profit at the average price of these five packages would be \$2,880 against the farmer's profit on the same piece of land of \$1,230.48; and if you use alone the highest priced package, the speculator's profit would be 12 cents a package or \$4,320 against the farmer's profit of \$1,230.48 on an eighteen-acre vineyard.

In view of these figures, we submit to you gentlemen that this year's crop would be sold to the consumer at the same price that he is now paying and allow both the retail and wholesale merchant a legitimate profit and pay to the growers the price that we have fixed.

We do not feel that farming can be done on a smaller estimated margin of profit than is here indicated. There have been many years in the last ten or fifteen when we sold our crops for much less than the cost of production; there have been some years that we lost 30 per cent or 40 per cent of with frost; other years after having raised the crop, rains destroyed a large percentage of it; there are insects and pests that must be considered in all classes of farming, from which we are not exempt. The vineyards of Spain were wiped out some years ago with Phylloxera, as were the vine-

vineyards along the coast in California, and now the same disease is making rapid progress in the Fresno district. These things make it impossible to reduce the profits in farming to the same margin that might prevail in a business without hazards. The rate of interest that would be acceptable on a real estate mortgage would be entirely out of line for so hazardous a business as farming. This is particularly true at this time of uncertainty and unrest, when the whole world is experiencing the greatest period of inflation that we have ever known, and no single industry, especially a small one like ours, can stay to an appreciable degree this riot of greed and ambition. We are held as by a vise in its relentless grip. The change of conditions these days is so kaleidoscopic that the prophet of today is almost surely the fool of tomorrow, and in view of this fact, one hesitates before venturing into the fields of prophecy. But I know of no repeal of the law that prevailed in the days of Moses, that seven fat years are followed by seven lean years, and as certainly as the cycle of the year is completed by the succession of spring-tide and summer and autumn and winter, as certainly as the low tide is succeeded by the high tide, so must this period of inflation be followed by a period of depression, and the period of unusual prosperity, which the whole world is enjoying today, must be paid for by the whole world tomorrow, and we know of no law that will exempt the raisin growers from paying their share of this loss. When the period of hardship and depression comes, we must suffer along with every one else, and if we are now denied the privilege accorded to others of laying by something in excess of the rate of interest our burden during this period of depression must be twofold.

But if, after having considered this question from every viewpoint, you feel that the fact that other dried fruits are higher, and that the grower of every other fruit is making more money, has no bearing on the case, and that the profit of 14 per cent is excessive, our contention is that we could not have changed it as far as the consumer is concerned. It is true that we control close to 90 per cent of the crop of the state, and the presumption would be because of that control, we could place any price on the product we chose, where, as a matter of fact, we are absolutely dependent on the law of supply and demand and general price conditions. Raisins are not a necessity, and if we ignored the law of supply and demand and the general price level of other fruit products by making our price too high, our goods would stand on the shelves and we would soon be insolvent. We have no control over the production of the growers and can not curtail it as a manufacturer does from year to year to meet the changing market conditions, but are bound to take all that is produced or confess that we have failed, so the only way we can continue to do business is to keep fairly close to the price as indicated by the law of supply and demand. As an illustration, if we put a price on raisins that would require them to retail at 25 cents when prunes, peaches, apricots and currants were retailing at 15 cents, it would be suicide. On the other hand, if we had followed the path outlined for us by the jobbers and independent packers and made a price that was 2 cents or 2½ cents lower than the price they were willing to pay for the product, we could not have secured delivery on the crop. Our contract provides for the forfeiture of \$40 per ton, and we are thoroughly convinced that before our price was made, many offers were made to our growers by independent packers to the effect that they would pay them 8 cents or 8½ cents cash, guaranteeing them against our liquidated damages, and under a procedure of this kind, we would have been entirely helpless and they would have run their mills on our grist for the whole season, and the orders we took from the trade for raisins would have necessarily remained on our files unfilled, and the consumer, whose welfare the complainants profess to be so much interested in, would have been paying the same or a greater price than he is today.

The above statement is proven by the fact that today the packers, who are paying the expenses of this prosecution and claiming to be interested in the welfare of the consumer, are paying 2 cents a pound above our price to the grower, so that if our price had been 8 cents instead of 10 cents, he could have guaranteed the grower against our liquidated damages, made a clear profit of 2 cents a pound on our goods, and the Department of Justice would have never heard about the crimes of the "raisin trust."

It is also true that the price of raisins is not only cheaper than other fruit products, but they have shown a less increase in price than the wheat, corn and pork of the Central States, the cotton and rice of the Southern States, and the wool, hogs and cattle of the range and mountain districts. As evidence of this we submit figures as given by Babson showing the average increase in price of these

before this Department was established. July was chosen for purposes of comparison because the catch of the steam trawlers was more nearly equal during that month of each year than any other month. Where the comparative catch was greatly disproportionate, price comparisons would obviously be unfair.

Average Retail Prices Fixed by the Exchange for July, 1919 and 1918, as Compared With July, 1917, Prior to State Price Control.*

| | July, 1917, per pound | July, 1918, per pound | July, 1919, per pound |
|---------------------|--------------------------|--------------------------|--------------------------|
| Large sole | \$0 10 | \$0 077 | \$0 10 |
| Small sole | 07½ | 05 | 08 |
| Sand dabs | 10 | 008 | 12½ |
| Flounder | 10 | 08 | 11 |
| Hake | 05 | 05 | 08 |
| Skate | 05 | 05 | 08 |
| Filet of sole | 20 | 18 | 30 |
| Sablefish | 12½ | 057 | 10 |
| Kingfish | 12½ | 082 | 10 |
| Salmon | 22½ | 225 | 25 |
| Totals | \$1 15 | \$0 950 | \$1 16½ |

*The State Fish Exchange began price-fixing operations in September, 1917. The above average prices for July, 1917, were obtained from the records of retail fish firms. Retail fish prices fixed by the exchange for July, 1918, were 16 per cent less than July, 1917. The lessened supply for 1919 necessitated slight increases as noted above, which, however, did not exceed the pre-exchange prices by more than 1¼ per cent.

Had the housewife purchased a pound of each of these varieties in July, 1917, in the aggregate the cost would have been \$1.15 for the ten pounds. In 1918 it would have been barely 96 cents, a decrease of 16 per cent. In 1919 the cost of the ten pounds was \$1.16, an increase of barely 22 per cent over 1918, and of only 1¼ per cent over the average retail prices for these varieties in 1917.

The San Francisco trawlers landed 1,282,915 pounds in July, 1918, and only 785,500 pounds in July, 1919, or fully 38 per cent less, accounting in part for the increase in most of the foregoing prices for July, 1919, over the preceding year.

When the Exchange was first established, as a department of the State Market Commission, being the pioneer, there were no precedents upon which to base its operations. It was necessary to proceed slowly, arranging such schedules as were essential to the determination of proper margins to the various factors concerned and modifying and altering those margins as later experience dictated. By 1918 the Exchange was able to fix prices on some fourteen of the principal varieties with more or less regularity. In 1919 this number increased steadily until some twenty varieties in all have been brought within the scope of state price regulation. Had the catch not failed on many varieties, more would doubtless have been added.

A considerable portion of the fresh fish supply is landed at San Diego and San Pedro, consisting principally of such varieties as halibut, barracuda and mackerel. Owing to the fact that this supply is brought in at all hours of the day or night, in many instances from Mexican waters, much difficulty has been experienced in working out a satisfactory method whereby the available supply for the day may be determined. Without information as to the supply on hand for the market, the establishment of prices allowing reasonable compensation to those engaged in the industry, and at the same time fair to consumers, becomes difficult. This has done much to retard price regulation on these varieties. It is hoped, however, that with measures being taken at the present time, this supply may be brought within the scope of price regulation.

Diversions of fresh fish have been reduced to a minimum. Where in 1917 large catches and lack of demand left great quantities in surplus, with subsequent spoilage and waste, to the loss of the fishermen, dealers and consumers, in 1919 the diversions were only a fraction of former amounts. Although the decline in the supply of fish landed at San Francisco has had some effect in lessening diversions, the stimulated consumption through lowered prices and prompt display advertising in the daily press has for the most part moved any surplus developing from sporadically heavy catches.

Consumption of fish is undoubtedly more general than heretofore. While fish sales were formerly confined almost entirely to Friday, the constant publicity at the instance of the department, together with the fixing and daily publishing of popular prices, keeping the names of different varieties until recently little known, before the public, has created greater demand on other days in the week.

Material benefit has resulted to both fisherman, dealer and consumer, through the more constant sale of fish. By limiting purchases to Friday, consumers create one of the most vital contributing factors to high fish prices. The reasons for this are apparent. With a "one-day-in-the-week" business, the expenses carried throughout the week must be met on Friday. Heretofore, retail fish sales on days other than Friday have been nominal, most often resulting in a deficit for the dealer on the sales on those days.

For the retailers to raise prices to a profitable margin on such days was obviously impossible, since it would have still further discouraged sales. Thus, under former methods, it became necessary for dealers to charge more on Friday to recuperate the losses sustained on other days.

Additional service required by the fish consumers, such as cleaning, elimination of head and tail and the removal of all obnoxious bones, also plays a responsible part in prices. On some varieties the loss to the

retailer, who has often paid for whole weight, is fully 50 per cent of the original purchase, as in the case of rock cod.

For the protection of the consumer, therefore, it has become necessary to establish schedules allowing reasonable maximum margins to dealers for "round," "cleaned," and "sliced" weight per pound on practically all varieties, as against the original method of establishing daily maximum prices for "round" weight sales only. At all times, however, effort has been made to demonstrate to consumers that the purchase of fish "in the round" is the most economical method.

Successful disposal of court cases, questioning the constitutionality of the State Fish Exchange Act, has removed the hampering influences which up to the latter part of 1918 had prevented the proper enforcement of the Fish Exchange law. As a result the efforts of the department to strictly enforce prices established has resulted in a marked decrease in violations reported.

Without doubt one of the principal services performed by the Exchange has been the popularizing, through publicity, advertising and published schedules of maximum retail prices, of the lesser known and hitherto little used varieties. By confining themselves to three or four varieties, such as salmon, halibut and filet of sole, consumers have encouraged higher prices on these varieties, ignoring the other equally good types of fish. This condition is gradually changing under the efforts of the department and consumers are steadily coming to use those formerly unpopular varieties of fish to their own saving and the benefit of the industry.

With the increasing experience and knowledge of the peculiar problems involved in price regulation of a commodity so extremely perishable and subject to such fluctuations and influences as fish, the Exchange is rapidly reaching a position of greater usefulness.

The initial activities were of necessity largely experimental. As the system is perfected in the cities of greatest supply and heaviest population, it is hoped that a return to normal conditions will enable the department to broaden the scope of price control so as to benefit to an even greater extent other communities of the state.

PRICE REGULATION.

Do fishermen as well as consumers benefit under the system of state fish price regulation? Fortunately an opportunity was provided to judge definitely of conditions with and without price regulation that should go far to settle this question finally.

Beginning with May 1, 1919, the activities of the Exchange, particularly in regard to the fixing of prices, were temporarily suspended until June 9, 1919. A complete record of prices charged by all wholesale fish companies in San Francisco was kept by the department. Inspectors were also detailed to gather a daily record of retail prices charged by some thirty dealers chosen at random.

The results of this record when compiled at the end of May were most interesting, demonstrating conclusively the service rendered by the Exchange. During May, the first period of suspended price fixing activities, the average wholesale price per pound received by the fishing companies for each of the principal varieties of steamer fish decreased 10 per cent in comparison to May, 1918, in spite of the fact that the total fish landed by them was 15 per cent less for that month. Based on just profits, prices should have increased proportionately to the fishing companies when the catch declined. Consumers on the other hand paid 13 cents a pound on the average during May for these steamer fish varieties, without price control, as against 9½ cents a pound a year ago, when price fixing was in full effect, a difference of 3½ cents a pound, or an increase of over 36 per cent in the cost to consumer. Thus, with price control suspended the retailer, the last to suffer from a shortened supply, received greater profits than he was reasonably entitled to, or a gross margin of 202 per cent. The actual figures are as follows:

Comparison of Wholesale and Retail Fish Prices With and Without Price Control.

| | Total steamer catch soles, sand dabs, flounder, etc., pounds | Average wholesale price per pound | Average retail price per pound | Diverted edible fish spoiled, pounds |
|---------------------------------------|---|--|--------------------------------------|---|
| May, 1919 (without price-fixing)..... | 738,116 | \$0 048 | \$0 128 | 181,960 |
| May, 1918 (with price-fixing)..... | 872,406 | 048 | 002 | 37,706 |
| Difference..... | †134,289 | †\$0 006 | *\$0 086 | *144,244 |

*Increase.

†Decrease.

While wholesalers received less when price control was lifted, with a catch for the month of May, less by 15 per cent than the preceding year, the diversion of edible fish left over and spoiled increased by 144,244 pounds over the amount spoiled in May, 1918, or fully 382 per cent

more. In other words, with price fixing lifted in May, 1919, and no method of notifying consumers of one uniform official retail price on each variety, over 24 per cent of the total catch of the trawlers remained unsold to the loss of fishing companies and consumers, while in May, 1918, with the machinery of price fixing in full operation, only 4½ per cent of the catch was left unsold.

Compare also the average prices during the first week in June with the average for the same varieties during the second week in June, when price fixing was resumed, as shown in the following:

Comparison of Wholesale and Retail Fish Prices With and Without Price Control.

| | Total steamer catch soles, sand dabs, flounder, etc., pounds | Average wholesale price per pound | Average retail price per pound | Diverted edible fish spoiled, pounds |
|--|---|--|--------------------------------------|---|
| First week in June, 1919 (without price-fixing)----- | 215,299 | \$0 0439 | \$0 1485 | 68,000 |
| Second week in June, 1919 (with price-fixing)----- | 151,590 | 580 | 1178 | 3,200 |
| Difference----- | †63,709 | *\$0 0141 | †\$0 0312 | †64,800 |

*Increase.

†Decrease.

During the second week in June it will be seen that the wholesale fishing companies received .0141/100 cents a pound more, or an increase of 30 per cent allowed by the Exchange. At the same time the average retail price was reduced 3½ cents a pound, as fixed by the Exchange, to consumer, or 21 per cent, in the face of a catch less by 29 per cent.

The system of price regulation as inaugurated by the Fish Exchange is made most effective in a period of normal or abnormal supply. While the quantity of fish landed daily during the last two years on the average has been far below the normal of 1917, on many days the catch proved to be too great for normal demand. It is here that the department comes into fullest play.

By ascertaining the available supply as represented in the "carry over" of the wholesale dealers and the catch landed in the evenings, at each principal source of supply, the department is able to determine each night whether a surplus exists for the following day. If the supply in the judgment of the price fixing committee is excessive prices are lowered and large display advertisements are promptly inserted in the morning press, calling attention to the large supply and the popular prices. This method for the most part has proved effective and has saved the fishing companies from much loss in unsold fish, at the same time putting into human consumption at low prices, fish that otherwise would have found a market only in the mills.

Advertising is necessary in order to inform the public promptly of *an unusual catch* and the consequent lowered prices. Individually, *neither the wholesale companies or retail dealers would find it practical*

to advertise in this manner, first, because alone they would be unable to tell promptly when a surplus exists, and second, the cost to the individual firm would be prohibitive in comparison to sales.

Thus, in the ability of the Exchange to determine officially the total figures of the incoming and available supply each night for the following day, and at the same time to promptly notify the public of a surplus supply, thereby encouraging consumption and preventing waste, the department performs an invaluable service to the industry and to the public in general.

To supplement this service as provided by law, by regulating and enforcing uniform maximum prices (with provision for reasonable compensation) above which dealers may not charge, and with the further power to regulate such prices up and down in conformity with supply and demand, the Exchange safeguards the public interest in a commodity the title to which rightly remains with the state.

SUPPLY.

Fish prices reflect the variable feature of supply more sensitively than most food products. As this commodity is landed in varying quantities from day to day and is quickly perishable, rapid fluctuations in prices occur. Supply, therefore, becomes of first importance.

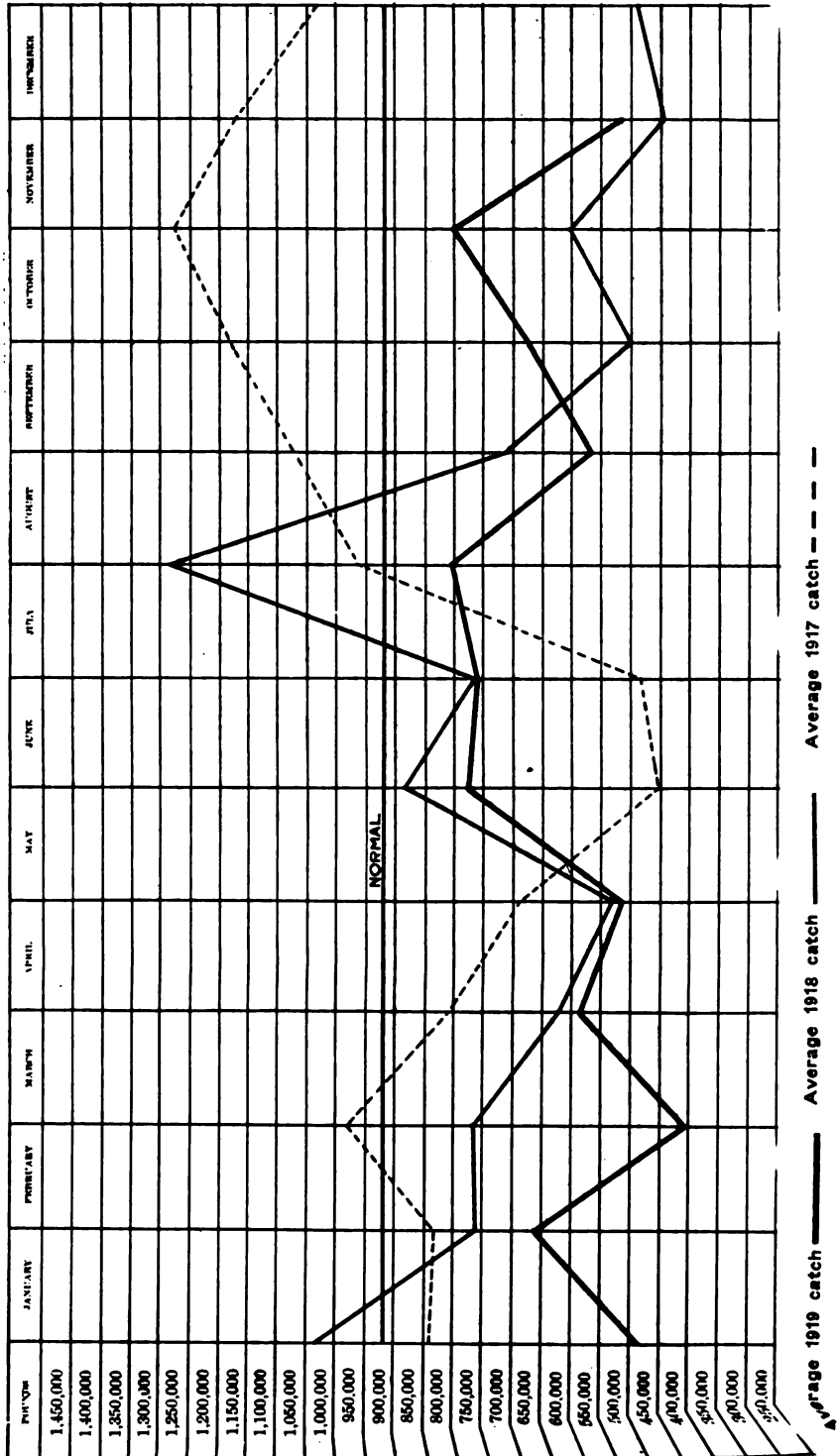
To be assured of a catch before casting the nets is relatively impossible because of the element of "fisherman's luck" attached to the venture. If the catch is small, however, the actual cost to the fisherman per pound of fish is greater. Translated into terms of retail prices, therefore, it is in the consumer's interest that the catch be normal.

For example, in one day recently, five sets of trawlers landed a total of only 5,000 pounds of soles, sand dabs, flounder, rex, and others. The actual cost to the fishing companies for this day's fishing amounted to \$1,000, or an actual cost per pound of 20 cents landed. The wholesale price on that day should have averaged approximately 27 cents a pound to allow for cost plus profit in catching and distribution. This would have spelled a retail price to the consumer, allowing for wastages, of 50 cents per pound, a prohibitive price; as a matter of fact the prices fixed by the department on these varieties averaged only 5½ cents a pound wholesale, while sole retailed at 15 cents for the large and 8 cents for the small, rex sole at 8 cents a pound and sand dabs at 12 cents a pound.

Unfortunately, the catch of the principal varieties during 1919, with but few exceptions, dropped below normal, as represented by the records of 1917. This was partly due to strikes among fishermen in the early part of the year, but for the most part duplicates the record of unaccountably short catches of the previous year.

The steam trawling companies at San Francisco, however, proved most unsuccessful. These trawlers, as a rule, land over 40 per cent of the total supply of northern and central California, and include particularly seven important varieties. For practically all of 1918 and 1919, the operations of these trawlers have been at a loss, with but few exceptional months. While 1917 proved fairly normal, the average catch each month since then has fallen off considerably from the monthly levels of that year, as is illustrated by the accompanying chart showing the comparative rise and fall of the catch for the last three years.

CHART OF THE COMPARATIVE MONTHLY RISE AND FALL OF STEAM TRAWLER CATCHES, SAN FRANCISCO, 1917, 1918 and 1919.
THE TOTAL STEAM TRAWLER CATCH OF 1919 FELL 33.1-3 PER CENT BELOW NORMAL.



RECORD AND COMPARISON OF MONTHLY CATCH OF STEAM TRAWLERS OPERATING OUT OF SAN FRANCISCO.
1917, 1918 and 1919.

| Month | Large sole, pounds | Small sole, pounds | Box sole, pounds | Sand dab, pounds | Flounder, pounds | Hake, pounds | Skate, pounds | Coddish, pounds | Kingfish, pounds | All other varieties, pounds | Total pounds caught | | |
|-----------|--------------------------|--------------------------|---------------------|---------------------|---------------------|-----------------|------------------|--------------------|---------------------|-----------------------------------|---------------------|-----------|------------|
| | | | | | | | | | | | 1917 | 1918 | 1919 |
| January | 278,840 | 211,480 | 9,590 | 41,200 | 80,220 | 130 | 23,780 | 6,478 | 10,320 | 30,083 | 642,051 | 714,750 | 845,461 |
| February | 156,280 | 84,100 | 13,731 | 24,940 | 31,080 | 40 | 40,000 | 4,069 | 5,775 | 13,122 | 375,137 | 723,495 | 987,600 |
| March | 250,160 | 108,820 | 88,480 | 51,900 | 8,100 | 2,560 | 29,760 | 39,214 | 2,890 | 25,427 | 597,341 | 635,635 | 812,000 |
| April | 196,700 | 68,100 | 37,040 | 128,580 | 16,120 | 4,160 | 21,970 | 25,467 | 3,021 | 10,033 | 531,191 | 541,935 | 686,080 |
| May | 288,890 | 176,690 | 11,254 | 100,240 | 80,285 | 36,200 | 11,860 | 5,295 | 3,315 | 25,332 | 738,551 | 875,565 | 467,640 |
| June | 248,100 | 253,040 | 8,480 | 145,290 | 43,720 | 14,320 | 11,960 | 490 | 6,490 | 2,431 | 729,551 | 773,095 | 437,754 |
| July | 351,300 | 227,440 | 19,840 | 110,300 | 16,020 | 36,650 | 5,850 | 1,610 | 7,840 | 7,165 | 784,585 | 1,293,915 | 996,905 |
| August | 180,040 | 161,066 | 84,160 | 40,840 | 26,850 | 30,560 | 9,680 | 2,668 | 130 | 2,060 | 537,514 | 724,890 | 1,007,786 |
| September | 380,680 | 144,800 | 99,980 | 12,800 | 28,580 | 21,120 | 8,400 | 38,049 | 915 | 3,860 | 719,124 | 506,135 | 1,185,806 |
| October | 324,780 | 186,560 | 108,860 | 27,990 | 37,830 | 20,800 | 4,580 | 30,045 | 1,060 | 5,617 | 703,302 | 612,350 | 1,238,800 |
| November | 208,320 | 169,200 | 73,870 | 37,900 | 5,760 | 1,040 | 1,640 | 17,791 | 118 | 4,297 | 519,556 | 446,959 | 1,170,320 |
| December | 243,128 | 174,580 | 74,580 | 36,240 | 14,490 | 80 | 1,920 | 4,047 | --- | 1,004 | 548,449 | 488,280 | 1,048,285 |
| Totals | 3,086,338 | 1,994,526 | 614,235 | 758,290 | 387,175 | 167,680 | 168,640 | 216,113 | 43,614 | 130,541 | 7,516,902 | 8,257,004 | 10,996,987 |

AVERAGE RECEIPTS OF SACRAMENTO RIVER FISHERMEN—1919.

| 1919 | Pounds recorded | | | | Total amount received | Daily average number boats | Number days fished | Average per boat per day | Average per man per day | Average per man per month |
|-----------------|-----------------|-----------------|--------------------|----------------|-----------------------------|-------------------------------------|--------------------------|--------------------------------|-------------------------------|---------------------------------|
| | Salmon | Striped bass | Other varieties | Total catch | | | | | | |
| January | 38,639 | 60,123 | 5,065 | 112,817 | \$15,015 04 | 42 | 26 | \$13 74 | \$4 58 | \$109 08 |
| February | 60,999 | 46,543 | 12,850 | 119,992 | 16,943 33 | 58 | 24 | 11 75 | 3 91 | 93 84 |
| March | 56,409 | 73,100 | 92,113 | 251,622 | 30,485 15 | 86 | 27 | 13 11 | 4 37 | 117 99 |
| April | 218,917 | 58,178 | 371,856 | 673,651 | 50,003 48 | 98 | 26 | 20 19 | 6 73 | 174 96 |
| May | 667,801 | 118,660 | 919,668 | 1,706,089 | 112,768 06 | 181 | 27 | 23 13 | 7 71 | 208 17 |
| June | 90,900 | 4,170 | 124,680 | 219,700 | 14,899 83 | 152 | 5 | 30 86 | 6 95 | 34 76 |
| July* | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| August | 416,595 | 34,764 | 4,899 | 455,878 | 37,344 12 | 102 | 25 | 14 04 | 4 69 | 121 68 |
| September | 2,221,047 | 8,429 | 5,789 | 2,235,265 | 179,369 72 | 252 | 21 | 33 89 | 11 29 | 257 09 |
| October† | 4,374 | 43,562 | 9,722 | 58,194 | 6,527 04 | 61 | 11 | 11 55 | 3 85 | 42 36 |
| November | 25,896 | 30,073 | 4,506 | 70,445 | 11,840 63 | 30 | 26 | 15 04 | 5 01 | 180 26 |
| December | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Totals for year | 3,841,538 | 511,622 | 1,549,947 | 5,903,153 | \$475,290 43 | --- | 219 | --- | --- | \$1,270 19 |

*Season closed June 5 to August 1.

†Season closed September 24 to November 15.

Sacramento River supply, consisting principally of salmon, striped bass, shad, carp and other varieties, fell off materially from 1918 receipts, particularly with regard to salmon and striped bass, the total catch recorded amounting to 5,903,153 pounds, as against 7,359,068 for the previous year, or a decrease of 20 per cent.

Throughout the salmon catching districts, with but few exceptions, the catch declined, lessening returns to fishermen and materially affecting retail prices. Market prices for the fresh article were still further affected by more profitable rates offered by packers for salmon for mild curing purposes. This is made possible by reason of the exemption of fish for canning or curing from the price regulations of the Fish Exchange law.

In 1918, by reason of the Federal Food Administration control, it was possible through special arrangements for the State Market Director to demand 50 per cent of the salmon catch for fresh market supply. With the cessation of the food control, this arrangement terminated, resulting in the diverting of by far the majority of the catch to processing channels.

The great demand in Eastern and foreign markets for mild cured salmon is such as to make it more profitable in this form than by selling in fresh supply.

For this reason, and because salmon caught off Monterey Bay and Fort Bragg on the Mendocino coast in the spring and summer are considered of best quality for canning and curing, the major portion of the supply from these sources was diverted from fresh markets.

Southern California supplies, so far as the fresh market was concerned, also fell below expectations, due principally to strikes among the fishermen in the early part of the year.

Rock cod fishermen of San Francisco landing rock cod, sablefish, codfish and other important varieties, were a little more successful during the past year. The total catch of these fishermen shows an improvement of 10 per cent over 1918, for which year a subnormal catch was recorded, and only $1\frac{1}{2}$ per cent over 1917.

RETURNS TO FISHERMEN.

While the catch of the rock cod fishermen at San Francisco increased slightly, actual monetary returns declined 19½ per cent in comparison with 1918, and increased only 4½ per cent over 1917. Rising costs accounted for this in part, but an analysis of the records reveals that monthly average 1919 prices to rock cod fishermen increased in the aggregate only 18 per cent over 1917, and decreased 9 per cent from 1918.

It is also found that retail prices on rock cod, chilipepper, sablefish, codfish and bocaccio under the control of the Exchange increased but slightly over former periods.

Analysis of the returns to the rock cod fishermen of San Francisco is made in the accompanying table showing the average receipts per man each month for the last three years. In 1917 this averaged \$162.66; in 1918 the average amounted to \$211.29, and during the past year \$170.19 each month.

Average Monthly Receipts, San Francisco Rock Cod Fishermen, for Past Three Years.

| Months | Total pounds caught | | | Average fisherman's price on all varieties | | | Total moneys received by fishermen | | |
|-----------|---------------------|-----------|-----------|--|--------|--------|------------------------------------|--------------|--------------|
| | 1917 | 1918 | 1919 | 1917 | 1918 | 1919 | 1917 | 1918 | 1919 |
| January | 164,834 | 182,858 | 266,775 | 0.0463 | 0.1633 | 0.0430 | \$7,640 17 | \$11,543 31 | \$11,474 14 |
| February | 129,173 | 114,350 | 313,805 | .049 | .077 | .0457 | 6,338 96 | 8,736 44 | 14,362 54 |
| March | 170,503 | 292,883 | 286,862 | .0443 | .0609 | .053 | 7,560 74 | 17,886 85 | 15,212 27 |
| April | 117,289 | 98,562 | 149,513 | .0499 | .0646 | .0461 | 5,856 56 | 6,245 90 | 6,897 86 |
| May | 214,923 | 154,344 | 225,826 | .0304 | .0565 | .0694 | 7,046 67 | 8,733 33 | 8,233 49 |
| June | 229,989 | 300,962 | 139,644 | .0321 | .0316 | .0688 | 6,779 19 | 9,533 17 | 8,141 30 |
| July | 314,008 | 245,908 | 219,480 | .0349 | .0384 | .0444 | 9,012 96 | 9,451 03 | 9,758 60 |
| August | 223,929 | 231,340 | 170,431 | .0301 | .0390 | .0468 | 7,417 98 | 9,041 44 | 7,976 54 |
| September | 107,005 | 124,774 | 166,427 | .0409 | .0509 | .0664 | 4,409 12 | 6,356 23 | 9,401 75 |
| October | 281,043 | 188,585 | 162,322 | .0423 | .0508 | .0500 | 11,912 95 | 9,593 44 | 8,129 97 |
| November | 242,004 | 96,025 | 112,584 | .0456 | .0712 | .0679 | 10,906 87 | 6,837 26 | 6,524 32 |
| December | 123,631 | 105,677 | 136,535 | .0579 | .0482 | .1555 | 7,167 87 | 5,907 01 | 7,579 65 |
| Totals | 2,319,581 | 2,133,763 | 2,350,204 | | | | \$92,049 51 | \$109,968 30 | \$113,622 33 |

| Months | Average number boats per day each month | | | Average receipts per boat | | | Average receipts per man | | |
|-----------|---|------|------|---------------------------|-------------|-------------|--------------------------|------------|------------|
| | 1917 | 1918 | 1919 | 1917 | 1918 | 1919 | 1917 | 1918 | 1919 |
| January | 8 | 8 | 10 | \$955 02 | \$1,442 90 | \$1,147 41 | \$159 17 | \$240 98 | \$176 52 |
| February | 9 | 9 | 10 | 704 33 | 975 94 | 1,435 25 | 117 39 | 102 66 | 230 80 |
| March | 9 | 11 | 9 | 840 06 | 1,621 53 | 1,690 25 | 140 01 | 270 26 | 290 08 |
| April | 6 | 6 | 10 | 976 09 | 1,040 98 | 699 78 | 162 68 | 173 50 | 106 12 |
| May | 7 | 6 | 9 | 1,006 87 | 1,455 56 | 914 33 | 167 78 | 242 59 | 140 74 |
| June | 6 | 7 | 9 | 1,129 87 | 1,361 88 | 904 57 | 189 31 | 226 98 | 137 62 |
| July | 7 | 8 | 8 | 1,287 57 | 1,181 37 | 1,219 62 | 214 60 | 196 89 | 187 66 |
| August | 7 | 7 | 6 | 1,059 71 | 1,291 63 | 1,329 42 | 176 62 | 215 27 | 204 52 |
| September | 5 | 5 | 8 | 881 82 | 1,271 24 | 1,175 21 | 146 97 | 211 87 | 180 80 |
| October | 11 | 6 | 8 | 1,083 00 | 1,598 90 | 1,016 24 | 180 50 | 266 48 | 156 34 |
| November | 11 | 6 | 8 | 991 49 | 1,189 54 | 815 54 | 105 35 | 189 92 | 126 46 |
| December | 9 | 7 | 8 | 796 43 | 843 85 | 947 45 | 132 74 | 140 64 | 145 67 |
| Totals | | | | \$11,712 06 | \$15,225 32 | \$13,285 77 | \$1,962 02 | \$2,587 54 | \$2,042 37 |

Striped bass fishermen of San Francisco Bay were less successful. For many months during the year the catch was so small as to prevent the fixing of official prices on this variety, owing to the excessive cost per pound of catching. During such months as the daily catch was sufficient to form a fairly reasonable supply, maximum wholesale and retail prices were established in San Francisco and Bay cities. On the whole, however, with the small catch landed at San Francisco, striped bass fishermen failed to receive even a reasonable return, and either gave up the vocation temporarily or in many cases, where their equipment permitted, turned their attention to fishing for other varieties. In most instances it was found possible to omit fixing the price to the fisherman, thus permitting him to receive the fullest prices the market allowed, but at the same time establishing wholesale and retail margins, thus protecting the consumer's interest.

It is self-evident that in order to keep the fisherman fishing, it is necessary that he receive reasonable compensation and living returns. In this fact will be found the answer to the oft-raised question concerning the high prices on certain varieties, either out of season or as a result of the small catch. With an assured supply, the problem of low prices would be comparatively simple. With a declining supply, however, the ascent in price to the fisherman must correspond, or he will discontinue fishing. A majority of the complaints of high retail prices on different varieties of fish are made when those varieties are out of season, or the fishermen have failed to make a satisfactory catch.

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INCREASE IN OPERATING COSTS.

While it was hoped in many quarters that with the end of the war a gradual return to somewhat normal conditions might be expected in relation to labor and material costs, the opposite has been the case.

As a matter of fact, while the cost of catching and handling fish for the market rose exceedingly during 1918, the advance in the cost of operations in 1919 has continued, more than doubling that of 1917.

Only one or two articles in connection with the catching of fish receded somewhat in price from the preceding year, viz, cotton and rope. The majority of the various items, however, remained far higher than in the previous period, and in most instances higher than 1918. Thus, the individual fisherman during 1919 was faced in most sections not only with a smaller catch, but with a higher cost of fishing as well. Where the fisherman paid 42 cents a pound for cotton in 1917, in 1919 he paid 74 cents, an increase of fully 76 per cent. Distillate increased from 6½ cents a gallon in 1917 to 10 cents in 1918, and 13½ cents in 1919, an increase over the pre-war period of 107 per cent.

In the case of the larger fishing companies in San Francisco, operating steam trawlers out of San Francisco Bay, the increase in costs has been most noticeable. Each company during the past year has operated from one to two sets of trawlers. These trawlers operate in pairs for deep-sea trawling, using a so-called Paranzella net drawn between the two boats.

In 1917 the average cost of operating a set of trawlers barely exceeded \$100 daily. In 1918 the average daily cost had increased to approximately \$175. By 1919 this average daily cost exceeded \$200, or an increase of 100 per cent over 1917. While fuel, tackle, and general supplies bore their full share of the advance, the increase in cost was chiefly due to labor expense.

One trawler carries some seven deck fishermen, a captain, engineer, head fisherman, net makers and others, while its companion boat as a

rule is operated by a captain, engineer and deckhand. The comparative increase in the salaries of each operator is shown as follows:

Detailed Increase in Steam Trawler Costs.

| | Average among companies during | | | Per cent increase over 1917 |
|---|--------------------------------|------------|------------|-----------------------------|
| | July, 1917 | July, 1918 | July, 1919 | |
| Labor costs, in detail— | | | | |
| Average deck fisherman, salary per month..... | \$90 00 | \$120 00 | \$130 00 | 116 |
| Captain, per month..... | 185 00 | 185 00 | 200 00 | 48 |
| Engineer, per month..... | 135 00 | 185 00 | 200 00 | 48 |
| Boss fisherman, per month..... | 120 00 | 175 00 | 175 00 | 45 |
| Second boss fisherman..... | 80 00 | 140 00 | 180 00 | 87 |
| Netmakers, per month..... | 75 00 | 110 00 | 135 00 | 80 |
| Watchman, per month..... | 60 00 | 100 00 | 100 00 | 66 |
| Utility boy, per month..... | 30 00 | 40 00 | 45 00 | 50 |
| Mechanic per month..... | 110 00 | 150 00 | 175 00 | 59 |
| Fireman, per month..... | 100 00 | 125 00 | 150 00 | 50 |
| Increase in materials— | | | | |
| Distillate, per gallon..... | \$0 05½ | \$0 10 | \$0 13½ | 107.7 |
| Oil, lubricating, per gallon..... | 42 | 65 | 75 | 78.5 |
| Fuel oil, per barrel..... | 63 | 1 63 | 1 70 | 169.8 |
| Cotton, per pound..... | 42 | 75 | 74 | 76.1 |
| Rope, per pound..... | 11 | 32 | 26 | 136.4 |
| Repair expense, per hour (time only)..... | 60 | 1 25 | 1 75 | 191.6 |

In addition to increased wages, the companies have found it necessary to grant shorter hours with pay for overtime. This has proved to be an important item, inasmuch as smaller catches have necessitated longer trips, sometimes three drags of the net. For this reason, much overtime accrues to the employees and added expense to the fishing companies.

For the purpose of showing an actual comparison in the average cost of operating these expensive trawlers during the past three years, statements have been obtained from the companies, showing actual steam trawling costs, as taken from their books for the month of July, during 1917, 1918 and 1919.

The increase for 1919 in the cost of trawling averaged 34 per cent over 1918, and fully 111 per cent over 1917.

Comparative Increase in Average Steam Trawler Operating Costs Among San Francisco Wholesale Fishing Companies.*

| | Total average expense for month | | |
|--|---------------------------------|------------|------------|
| | July, 1917 | July, 1918 | July, 1919 |
| Labor..... | \$1,531 43 | \$2,369 10 | \$2,675 46 |
| Fuel and distillate..... | 805 11 | 606 05 | 700 87 |
| Nets, tackle and general supplies..... | 357 26 | 439 75 | 543 30 |
| Dockage..... | 87 48 | 49 01 | 57 25 |
| General and maintenance expense..... | 146 92 | 341 87 | 1,150 50 |
| Totals..... | \$2,878 15 | \$3,805 78 | \$5,133 38 |

*Basis of one set, or two boats, to each company.

Wholesale companies also experienced a general advance in operating expenses and cost of distribution. These companies maintain at all times the usual force of men, whether the catch be great or small, since it is impossible to tell from day to day what the supply for the following day will be. Therefore, the requisite number of men necessary for the preparation, boxing, delivery and redistribution of a probable large supply of fish must be on hand at all times.

Comparative figures for July, 1917, 1918 and 1919, indicate the average increase in the cost of operating these wholesale plants. The greatest increase occurred between 1917 and 1918, averaging over 75 per cent.

Retail dealers throughout the San Francisco Bay region have also experienced an increase in the cost of such items as labor, rent and other overhead expenses, as follows:

Comparative Increase in Operating Expenses, Wholesale Fish Companies' Distributing Plants.

| | During July, 1917 | During July, 1918 | During July, 1919 |
|----------------------------|----------------------|----------------------|----------------------|
| Auto expense | \$1,415 25 | \$2,048 08 | \$2,000 02 |
| General expense | 1,854 97 | 3,562 52 | 4,000 82 |
| Interest and discount..... | 712 40 | 1,405 58 | 1,800 00 |
| Salaries and labor..... | 5,068 83 | 8,008 58 | 9,978 73 |
| Ice expense | 73 70 | 270 89 | 443 89 |
| Totals..... | \$9,720 24 | \$16,071 25 | \$19,544 06 |

Comparative Increase in Principal Operating Expenses Among Retail Dealers.

| | During Aug., 1917 | During Aug., 1918 | During Aug., 1919 |
|--|----------------------|----------------------|----------------------|
| Clerk or fish cleaner, per week..... | \$18 00 | \$25 00 | \$30 00 |
| Driver, per week..... | 12 00 | 20 00 | 30 00 |
| Extra drivers for Friday, per day..... | 3 50 | 4 50 | 6 00 |
| Extra fish cleaner Fridays, per day..... | 4 00 | 5 00 | 6 50 |
| Ice, 900 pounds every 5 days..... | 3 15 | 3 00 | 4 50 |
| Paper, per bundle..... | 6 50 | 10 10 | 10 10 |
| Scavenger, per month..... | 4 00 | 10 00 | 10 00 |

ENFORCEMENT.

During the first year of its operations, the Exchange was considerably handicapped in the proper enforcement of the law through efforts of certain dealers to question the constitutionality of the State Fish Exchange Act. So long as this question was at issue, violations of the department's regulations were innumerable, both as to maximum prices and the diversion or destruction of edible food fish.

While prompt prosecution was undertaken in such cases as arose, the question as to the constitutionality of the act was not satisfactorily settled until finally carried to the State Supreme Court in the case of *The State vs. A. Paladini*.

A decision sustaining the lower court and confirming the constitutionality of the State Fish Exchange Act was finally rendered in the latter part of 1918. This decision emphasized the right of the state to regulate the catching, sale and distribution of fish in the interest of the people and concluded, among other things, "that the legislature had the right to provide a system for fixing the wholesale and retail prices for the sale of fresh fish, allowing (in the language of the act) 'a reasonable compensation or profit to those engaged in the catching or selling of fish,' as in the act provided."

Price-fixing alone, without strict enforcement, would be of little material benefit to the great body of consumers. To this end the Exchange has devoted much time and effort during the year, to systematic inspection of prices charged at retail and wholesale markets in order to bring about the proper compliance with the law.

In official price lists published in the market page of the daily press, the State Market Director invites the public to report all overcharges to the department. Such complaints are fully investigated, followed by action wherever warranted.

Where violations are found, the dealer is summoned to appear at a formal hearing before the State Market Director, or his duly appointed representative. Sworn testimony is taken of the complainant and witnesses and the fullest opportunity is given to the defendant, accompanied by his counsel, if desired, to make proper explanation.

Penalties have been imposed in such cases wherein the evidence has shown a flagrant lack of regard for the department rulings or deliberate intention to exceed the maximum prices. In such cases suspension of from one day to two weeks of the license to sell fish has been enforced as provided in the State Fish Exchange Act. In other instances where dealers, through lack of understanding of the price schedules, or of the English language, have unintentionally violated the maximum prices, sentence has been suspended temporarily pending the record of future behavior. But few repetitions have resulted. Such efforts

have had a salutary effect, and a gratifying reduction in the number of complaints has been recorded.

The records show that retail overcharges have ranged from 1 cent a pound up to 15 cents a pound. With the proper enforcement of retail prices, based upon the margins which allow dealers a reasonable net profit over and above cost of operations, it will be seen that in the aggregate, a vital saving is thus effected to consumers.

In all cases, should they desire to appeal, dealers convicted of overcharging have recourse to the courts. In certain instances where dealers have chosen to ignore the order temporarily suspending their license, the court in each case has confirmed the suspension and fined the offender accordingly.

Suspension of license for short periods has also been enforced in certain instances where dealers, either wholesale or retail, have been convicted of paying higher prices to fishermen than the maximum price allowed.

The overpayment to fishermen has invariably resulted in overcharges all along the line, even to the consumer, and most often arises when the supply of fish is short. Every effort is made to cope with such a situation, and at the same time allow reasonable returns to the fishermen. When the supply becomes very short, however, the Exchange has found it necessary to omit price fixing, since the law provides, and rightly, that a reasonable profit must be permitted at all times. To continue to fix prices in the face of a limited catch, and at the same time allow reasonable compensation to the fishermen would often mean prohibitive retail prices. Thus it has been found best in such instances to omit prices.

Price fixing on large and small rock cod, bocaccio, chilipepper, codfish and sablefish, varieties not formerly included in published schedules, has been made possible through the final settlement in the early part of the year of the case against the Rock Cod Fishermen's Protective Union, the beginning of which action was recorded in my previous report. Since the initial efforts of the Exchange, this union had refused to procure a license to sell fish as required by the State Fish Exchange law for such organizations. Until the license requirements were fulfilled, the Exchange was unable up to that time to enforce price regulations, since its only recourse in case of price violation is in the suspension of license.

While court action was taken against the union in 1917, to enforce the license provision, no conviction was obtained until January, 1918. Appeal was taken by the defense and in September, 1918, a decision was rendered by the superior court affirming the judgment of the

lower court. The subsequent notice to the union to comply with the license provisions was ignored. Further action was resorted to and again a favorable decision was rendered, the union being fined \$100. Appeal was again taken by the defense, and as it was apparently the intention of the union to ignore entirely the judgment and order of the court, the officials and some twelve members of the union were promptly placed under arrest as they returned from their fishing trips.

The prosecution of these cases finally resulted satisfactorily, the union paying the fine of \$100 and taking out a license for the current period, as well as paying the back licenses as required.

Daily price fixing on the catch of the union was immediately commenced and resulted satisfactorily, an appreciable difference being noticed in the retail prices of the several varieties of fish handled by this organization.

The union has since operated harmoniously with the department and has rendered valuable assistance in perfecting the system whereby final retail prices are determined for the day on the fish landed by its members. Comparison of surveys made before and after price fixing commenced on these varieties indicates a reduction of from 2 to 8 cents a pound in the retail prices.

Summary of Fish Licenses Issued From July 31, 1917, to June 30, 1919.

| Classification | July 31, 1917, to December 31, 1917, first issue | January 1, 1918, to June 30, 1918, second issue | July 1, 1918, to December 31, 1918, third issue | January 1, 1919, to June 30, 1919, fourth issue | Total cash receipts from July 31, 1917, to June |
|--|--|--|---|---|---|
| Exclusive fish dealers..... | \$989 62 | \$1,155 00 | \$1,100 00 | \$1,083 33 | \$4,257 95 |
| Side line fish dealers..... | 4,084 04 | 5,421 71 | 5,045 84 | 4,671 71 | 19,223 30 |
| Brokers, buyers and organizations..... | 450 04 | 708 34 | 625 00 | 675 00 | 2,458 38 |
| Wholesale fish dealers..... | 2,980 19 | 3,495 00 | 3,995 00 | 4,075 00 | 14,495 19 |
| Transfers | | 10 00 | | | 10 00 |
| Totals..... | \$8,433 89 | \$10,790 05 | \$10,765 84 | \$10,455 04 | \$40,444 52 |

STATE FISH EXCHANGE.

Expenditures for Fiscal Year Ending June 30, 1919.

| | | |
|--------------------------------------|------------|-------------|
| Salaries : | | |
| Secretary and assistant | \$1,800 00 | |
| Stenographer | 14 17 | |
| Clerical help | 68 50 | |
| Extra clerical help | 205 35 | |
| Inspectors | 5,930 14 | |
| Miscellaneous—attorney | 7 00 | |
| | | \$8,023 16 |
| Traveling expenses : | | |
| Secretary | | |
| Employees | \$1,658 06 | |
| | | 1,658 06 |
| Office supplies | \$80 19 | |
| Printing | 480 67 | |
| Multigraphing | 122 43 | |
| Office rent | 580 59 | |
| Freight and express | 8 59 | |
| Postage | 1,225 00 | |
| Telephone and telegraph | 1,347 10 | |
| Subscriptions, books, etc. | 23 05 | |
| Miscellaneous | 86 86 | |
| Refunds | 5 50 | |
| Office furniture and equipment .. | 58 25 | |
| Advertising, newspapers and films .. | 3,658 08 | |
| | | 7,676 31 |
| Revolving fund | | 500 00 |
| Total expenditures | | \$17,857 53 |

APPENDICES.

APPENDIX A.

COOPERATIVE MARKETING ASSOCIATIONS OF CALIFORNIA.

Citrus fruits:

California Fruit Growers Exchange, Los Angeles.
Mutual Orange Distributors, Redlands.

Deciduous fruits:

California Fruit Exchange, Post-office Box 752, Sacramento.
California Pear Growers Association, 216 Pine street, San Francisco.
Sebastopol Apple Growers Union, Sebastopol.
Vacaville Fruit Growers Association, Vacaville.
Placer County Mountain Fruit Company, Newcastle.

Dried fruits:

California Associated Raisin Company, Holland Building, Fresno.
California Peach Growers, Holland Building, Fresno.
California Prune and Apricot Growers, San Jose.

Berries:

Central California Berry Growers Association, 510 Battery street, San Francisco.
Sacramento Valley Berry Growers Association, Incorporated, 416 I street, Sacramento.
Sebastopol Berry Growers, Incorporated, Sebastopol.
Southern California Berry Growers Association, Los Angeles.

Dairy products:

Associated Dairymen of California, Lachman Building, San Francisco.
Associated Milk Producers, 53 Clay street, San Francisco.
California Milk Producers Association, 1505 South Main street, Los Angeles.
Milk Producers Association of Central California, Modesto.
Milk Producers Association of San Diego County, Second and Broadway, San Diego.
Northern California Milk Producers Association, 308 Farmers and Mechanics Bank Building, Sacramento.
San Joaquin Valley Milk Producers Association, Cory Building, Fresno.
Imperial Valley Milk Producers Association, El Centro.
Salinas Valley Dairymen's Association, Soledad.

Nuts:

California Almond Growers Exchange, 311 California street, San Francisco.
California Walnut Growers Association, 1326 East Seventh street, Los Angeles.

Poultry:

Poultry Producers of Central California, 757 Sansome street, San Francisco.
Poultry Producers of Southern California, 1560 Industrial street, Los Angeles.

Beans:

California Bean Growers Association, 120 Battery street, San Francisco.
California Lima Bean Growers Association, Oxnard.
Lima Bean Growers Association, Oxnard.

Miscellaneous:

Alfalfa Growers of California, Incorporated, Central Building, Los Angeles.
California Associated Olive Growers, Corning.
California Honey Producers Cooperative Exchange, Investment Building, Los Angeles.
Pacific Rice Growers Association, Post-office Box 434, Sacramento.
Turlock Merchants and Growers, Turlock.
Escondido Vegetable Growers Association, Escondido.
Thermal Cantaloupe Growers Union, Thermal.
San Francisco Artichoke Growers Association, 617 Front street, San Francisco.
Halfmoon Bay Coastside Artichoke Growers Association, 510 Battery street, San Francisco.
Signal Hill Cucumber Growers Association, Burnett.
San Pedro Vegetable Growers Association, Ninth and San Pedro street, Los Angeles.
Nuevo Growers Association, Nuevo.

APPENDIX B.

STATE MARKET COMMISSION ACT OF CALIFORNIA.

CHAPTER 802.

An act to provide for the creation of the "state market commission" and the organization thereof; to define its other duties and powers; to create the position of state market director; to define his duties and powers; to create the state market commission fund, and a revolving fund; and repealing that act known as "state commission market act," approved June 10, 1915, chapter seven hundred thirteen of the statutes of 1915, and all other acts and parts of acts in conflict with the provisions of this act.

(Approved June 1, 1917; Statutes 1917, page 1669.)

The people of the State of California do enact as follows:

SECTION 1. There is hereby created the "state market commission," a state organization for the following purposes, to wit:

First—To act as adviser for producers and distributors when requested, assisting them in economical and efficient distribution of any such products at fair prices.

Second—To gather and disseminate impartial information concerning supply, demand, prevailing prices and commercial movements, including common and cold storage of any such products.

Third—To promote, assist and encourage the organization and operation of co-operative and other associations and organizations for improving the relations and services among producers, distributors and consumers of any such products, and to protect and conserve the interests of the producers and consignors of such products.

Fourth—To foster and encourage co-operation between producers and distributors of any such products, in the interest of the general public.

Fifth—To foster and encourage the standardizing, grading, inspection, labeling, handling, storage and sale of any such products.

Sixth—To act as a mediator or arbitrator, when invited by both parties, in any controversy or issue, that may arise between producers and distributors of any such products.

Seventh—To certify, for the protection of owners, buyers or creditors, when so requested, warehouse receipts for any such products, verifying quantities and qualities thereof, and to charge for such service fees sufficient to make the service at least self-supporting.

Eighth—To issue labels bearing the seal of the state market commission on request of the producer, packer, canner or distributor, for any such products, for which state labels have not otherwise been authorized by law, under such rules and regulations as the director may deem necessary and to charge for such labels such fees as in the judgment of the state market director may be proper.

Ninth—To act on behalf of the consumers of any such products in conserving and protecting their interests in every practicable way.

Tenth—To improve, broaden and extend in every practicable way, the distribution and sale of any such California products throughout the markets of the world.

Eleventh—To promote in the interest of the producer, the distributor, and consumer, economical and efficient distribution and marketing of all or any agricultural, fishery, dairy and farm products produced, grown, raised, caught, manufactured or processed within the State of California.

It shall be within the province of the state market director, hereinafter provided for, to determine and decide, when, where and to what extent, existing conditions render it necessary or advisable to carry out any or all the purposes of this act and he is herewith granted power and authority to carry out any or all of said purposes.

SEC. 2. This act shall be known as the "state market commission act."

The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "commission" shall be the state market commission.

The "director" shall be the state market director himself personally or his duly appointed and authorized representative.

The word "products" shall refer to the agricultural, fishery, dairy and farm products produced, grown, raised, caught, manufactured or processed within the state of California.

The term "organizations of producers and distributors" shall include all corporations, societies, associations and organizations of producers or of producers and distributors, or of distributors, co-operative or otherwise, formed for the purpose of facilitating the marketing of any such products.

A "person" shall be understood to include individuals, partnerships, associations and corporations or their agents or employees.

When the singular is used the plural is also included. Whenever the masculine is used, the feminine and neuter are included.

SEC. 3. The state market commission shall consist of a governing body of one person, to be known as the state market director, hereinafter referred to as the director, who shall be appointed by the governor of the State of California, and of a secretary to be appointed by the state market director, as hereinafter provided, and these two shall perform the duties and exercise the powers of the state market commission and shall administer the provisions hereof, administer oaths, certify to all official acts, and do all proper acts to carry out any and all of the purposes hereof.

SEC. 4. The director is hereby vested with full power, authority and jurisdiction to do and perform any and all things which are necessary or convenient in the exercise of any power, authority or jurisdiction designated and conferred upon him under this act.

SEC. 5. The commission shall have a bureau of correspondence for gathering and disseminating information on all subjects relating to the marketing of California products, and may issue bulletins thereon, and by every practicable means keep the producers informed of the supply and demand and at what market their products can best be handled.

SEC. 6. The term of office of the director shall be four years or until his successor be appointed by the governor, and the annual salary of the director shall be five thousand dollars. The first appointment of director shall be made upon this act going into effect. The legislature, by a two-thirds vote, may remove the director, for misconduct, neglect of duty, or incompetency.

SEC. 7. The state market commission shall have a secretary who shall be appointed by the director and hold office at his pleasure, and shall perform such duties as he may prescribe. The annual salary of the secretary shall be three thousand six hundred dollars.

SEC. 8. The state market commission shall have a seal bearing the inscription "state market commission of California," which seal shall be affixed to all such instruments as the director shall require.

SEC. 9. The salaries of the director and secretary shall be paid to them in the same manner as are the salaries of other state officers.

The salary or compensation of all other persons holding office or employment under the director shall be fixed by the director and shall be paid monthly from the state market commission fund, as hereinafter provided, and after being approved by the director upon claims therefor to be audited by the state board of control.

All expenses incurred by the director pursuant to the provisions of this act, including actual and necessary traveling expenses, and other disbursements of the director, his officers and employees, incurred while on business of the commission shall be paid from the state market commission fund in the same manner, except as provided for in section twelve of this act.

SEC. 10. The director shall not engage in any other line of business during his term of office, but shall devote his whole time, attention and ability to the duties of his office. The director shall not hold or own any stock or other interest whatsoever in any produce commission business.

SEC. 11. There is hereby created a fund to be known as the "state market commission fund." All fees, charges and costs collected by said commission under this act shall be paid into the treasury of the state to the credit of such fund. All appropriations made by this act or any subsequent act for the use of the state market commission, shall be placed to the credit of such fund. All expenses of whatsoever nature, incurred by the commission under the provisions of this act, shall be paid from the state market commission fund, after being approved by the director, upon claims therefor to be audited by the board of control except as provided for in section fourteen of this act.

SEC. 12. A revolving fund of two hundred and fifty dollars shall be established by the board of control for expenses of the state market commission, other than salaries, rent and other regular expenses, and the director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers monthly with the board of control covering such disbursement.

SEC. 13. The director shall make and submit to the governor, on or before the first day of December of each year, a report containing a full and complete account of the transactions and proceedings of the state market commission for the preceding fiscal year, together with such other facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 14. The director, before entering upon the duties of his office, shall make and execute to the people of the State of California an official bond in the sum of five thousand dollars, for the faithful performance of the duties of his office.

The director may require of the officers and employees such bonds for the faithful performance of their duties as in his judgment may be necessary.

SEC. 15. The director may make pertinent investigations concerning the aggregate amount of products held in common and cold storage. In connection with any such investigation, the director shall have the right to inspect only the pertinent books and records of common or cold storage warehouses for the purpose of determining and publishing aggregate amounts of products held in storage, and the director is hereby empowered to issue subpoenas for the attendance of witnesses and the production of pertinent books, papers, accounts, documents and testimony in any such investigation.

SEC. 16. Any and all moneys in the state treasury to the credit of and any moneys due the state commission market fund under the authority of the act creating the state commission market fund, approved June 10, 1915, shall be transferred to the credit of the state market commission fund, created by this act.

SEC. 17. If any section, subsection, sentence, clause or phrase of this act is for any reason declared to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act and each section, subsection, sentence, clause or phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 18. That certain act entitled "An act to provide for the creation of the state commission market, and the organization thereof, to carry on the business of receiving from the producers thereof the agricultural, fishery, dairy and farm products of the State of California and selling and disposing of such products on commission, creating the 'state commission market fund' and appropriating money therefor," approved June 10, 1915, and known as the "state commission market act," chapter seven hundred thirteen of the statutes of 1915, and all other acts and parts of acts in conflict with this act are hereby repealed.

APPENDIX C.

STATE FISH EXCHANGE ACT OF CALIFORNIA.

CHAPTER 803.

An act to empower the state market director of California to regulate and control the business of buying and selling fresh fish; to regulate the destruction of food fish; to create a state fish exchange; to license those engaged in marketing fish; to create a state fish exchange fund and a revolving fund; to provide penalties for violations of this act; to investigate and report on the fish industry; and to promote the sale of fish.

(Approved June 1, 1917; Statutes 1917, page 1673.)

The people of the State of California do enact as follows:

SECTION 1. This act shall be known as the "state fish exchange act."

SEC. 2. It is hereby declared that it is the purpose of this act to bring about an increased consumption of fresh fish by the people of California, to enable them to obtain the same at reasonable prices, and to empower the state market director to regulate and control the business of buying and selling fresh fish, to regulate the destruction of food fish, to create a state fish exchange, to license those engaged in marketing fresh fish, to create a state fish exchange fund, to provide penalties for violations of this act, to investigate and report on the fish industry, and to promote the sale of fish.

SEC. 3. The following terms used in this act shall, unless a different meaning is plainly required by the context, be construed as follows:

The "state market director" shall be understood to be himself personally or his duly appointed and authorized representative. A "person" shall be deemed to include individuals, partnerships, associations and corporations, or their agents or employees. A "retail dealer," "peddler," or "huckster," is one engaged in the business of selling fresh food fish direct to the consumer. A "wholesale dealer" is one who sells fresh food fish to hotels, restaurants, railroads, steamships, hospitals, institutions and all others than the consumer, and especially to retail dealers for resale. A "fish buyer" or "fish broker" is one engaged in the business of buying or selling fresh food fish for the owner or consignee, or who, without an established place of business, buys from the fishermen for the purpose of reselling to others than the consumer. "Market fishermen" are individuals engaged in the business of catching fish under licenses issued by the state fish and game commission authorizing them to do so. When the singular is used, the plural is also included; whenever the masculine is used, the feminine and neuter are included.

SEC. 4. It is hereby declared that the ownership and title to all fish found in the waters under the jurisdiction of the state are in the State of California; no such fish shall be caught, taken or killed in any manner or at any time except that the person so catching, taking or killing or having the same in his possession, irrespective of the manner in which they were obtained, shall by such act or possession thereby consent that the title to such fish shall be and remain in the State of California for the purpose of regulating and controlling the use and disposition of same after such catching, taking or killing, except that the title to such fish legally taken shall vest in the person so taking or possessing them, subject to the restrictions and provisions of law. All fish found in the possession of a person within the State of California shall be presumed to have been taken under the jurisdiction of the state.

SEC. 5. (a) The state market director is hereby vested with jurisdiction to regulate and control the business of buying and selling and otherwise disposing of fresh food fish caught in the waters under the jurisdiction of the state, and the business of buying, selling and disposing of such fresh food fish may not be carried on except in accordance with the provisions of this act.

(b) The state market director is hereby vested with jurisdiction to open and conduct where, when, and for so long as he deems it advisable, state markets for the buying and selling of fresh food fish, and to rent, lease or purchase plants and equipment necessary for the same, and to use so much of the funds placed at the disposal of the state market director by the act creating the state commission market, approved June 10, 1915, or in the event of the repeal of said act, by the state market commission act, as may be required in establishing and conducting said markets.

(c) The state market director is hereby vested with full power, authority and jurisdiction to do and perform any and all things, whether herein specifically designated, or in addition thereto, which are necessary or convenient in the exercise of any power, authority or jurisdiction conferred under this act.

SEC. 6. (a) The state market director shall, when and where and for so long as he deems it advisable, establish maximum prices to be paid or charged in any particular locality, for food fish of any or all varieties intended for human consumption in its fresh condition, caught in the waters under the jurisdiction of the state:

First. To be paid to those engaged in catching such fish for sale.

Second. To be paid to those engaged in the wholesale fish business.

Third. To be charged to the consumer by retail fish dealers, peddlers or hucksters; and said prices shall be such as will allow, in the judgment of the state market director, a reasonable compensation or profit to those engaged in the catching or selling of such fish.

(b) The state market director may, at his discretion, from time to time make such changes or withdrawals in the prices authorized in section six (a) hereof, as he may deem necessary.

(c) It shall be unlawful for any person engaged in the business of selling fresh food fish in a particular locality to charge more than the maximum prices authorized for such locality, as provided in section six (a) hereof. Any violation of the provisions of this paragraph, after receipt of notice of maximum prices established in accordance with the provisions of section six (a) of this act, shall be good and sufficient ground for the suspension or revocation by the state market director in his discretion of any license issued under the authority of this act.

(d) In the exercise of powers under this act, the state market director may confer with parties interested with a view of securing their advice and counsel as to maximum prices to be paid and charged.

SEC. 7. It shall be unlawful for any one to destroy, or cause or permit to be destroyed any food fish in excess of fifty pounds within one day of twenty-four hours or to divert, or cause or permit to be diverted any food fish to any use other than human consumption, without having first obtained the written consent of the state market director to such destruction or diversion. Consent to such destruction or diversion shall be given only where the applicant establishes to the satisfaction of the state market director that such destruction or diversion is not for the purpose of influencing prices and that reasonable efforts have been made to induce its consumption by the public. Nothing in this section shall be construed to apply:

First. To the use of food fish by fishermen as bait in the customary manner; and,

Second. To any individual market fisherman who is unable to sell for human consumption fish he has caught and who within forty-eight hours after the destruction or diversion of said fish shall report to the state market director the number of pounds and varieties of fish and how disposed of. The deposit in the United States mail of a written statement of said facts, properly addressed to the state market director and stamped, shall be accepted as a sufficient report.

Third. To food fish in the possession of canners, curers or packers and which are not suitable for their use and which in consequence are destroyed or diverted to use other than human consumption: *provided*, that within forty-eight hours after the destruction or diversion of any such fish, the person responsible therefor shall report to the state market director the number of pounds and varieties of fish, reason for destruction or diversion and how disposed of. The deposit in the United States mail of a written statement of said facts, properly addressed to the state market director, shall be accepted as a sufficient report.

SEC. 8. In the event of a supply of fresh food fish reaching any market, which supply in the judgment of the state market director is excessive or abnormal:

(a) It shall be the duty of the state market director, in his discretion, to use every means at his command to induce its consumption by the public, including reduction in prices thereon and increased publicity, as hereinafter provided for.

(b) It shall be obligatory on the part of market fishermen and wholesale fish dealers, who find themselves possessed of an excessive supply, to notify the state market director of the fact, and failure to give such notice shall be sufficient grounds for the suspension for a period not exceeding one month, in the discretion of the state market director, of any license issued under the authority of this act.

(c) The state market director may at his option, use the moneys of the state fish exchange fund hereinafter provided for, in purchasing any part or all of an excess of food fish over the amount that can be sold through ordinary channels, and to place same in cold storage, and to resell same to any or all buyers, and any loss or profit in such transaction shall be charged or credited to the state fish exchange fund.

SEC. 9. Every person, individual, partnership, association or corporation, other than market fishermen, engaged in the business of buying and selling fish for consumption in its fresh condition, shall pay to the state a semiannual license fee, as follows:

First. All retail dealers, dealing exclusively in fish, crustaceans and mollusks, ten dollars.

Second. All retail dealers, handling fish in connection with a retail business, and by them, in other products than crustaceans and mollusks, and all peddlers and hucksters, five dollars.

Third. All fish brokers and all fish buyers, fifty dollars.

Fourth. All fishermen's organizations selling the catch of their members or agents selling the catch of such fishermen's organizations, fifty dollars.

Fifth. All salesmen or agents representing wholesale fish dealers located outside the state, fifty dollars.

Sixth. All wholesale fish dealers, on the basis of their gross receipts from the sale of fresh food fish, including their sales at branch houses, as follows:

When gross receipts for six months are:

Not in excess of twenty-five thousand dollars, fifty dollars.

Between twenty-five thousand dollars and fifty thousand dollars, seventy-five dollars.

Between fifty thousand dollars and one hundred thousand dollars, one hundred dollars.

Between one hundred thousand dollars and two hundred thousand dollars, one hundred fifty dollars.

Between two hundred thousand dollars and three hundred thousand dollars, two hundred dollars.

More than three hundred thousand dollars, two hundred fifty dollars.

Seventh. All branch houses of wholesale dealers—that is, wholesale dealers operating more than one wholesale establishment—for each branch house, five dollars.

Fees payable by wholesale dealers under paragraph six of this section, as above, shall be due and payable in advance, and shall be based on the applicant's sworn statement as to his gross receipts from the sale of food fish sold for human consumption in its fresh condition, using the corresponding period of the preceding year as a basis. If the applicant did no wholesale business during said corresponding period, a license shall be issued upon payment of a fee of fifty dollars and the execution of a good and satisfactory bond by the applicant to the state market director, guaranteeing the payment of such additional amount as will make the total payable on his actual business during such period equal to the license fee fixed in said paragraph six of this section. If the amount of actual sales of any such dealer for any semiannual period, for which he has paid license fees in advance, shall be greater or less than the amount on which such license fee was based, he shall at the end of such period, be charged with and shall pay to the state such additional amount as would be due on the basis of actual sales as set forth in paragraph six hereof, if the amount of actual sales be greater than the amount on which license fee was paid; or if the actual sales be less than such amount for any such semiannual period, he shall, at the end thereof, be credited with the difference between the license fee paid in advance and the fee that would have been due on the basis of actual sales as set forth in paragraph six hereof; but such credit shall be made only on further license fees that may be payable by any such dealer.

SEC. 10. All licenses provided for in this act shall be paid in advance and shall terminate with December thirty-first and June thirtieth, whichever date may first follow the date of issue. A proportionate charge shall be made, according to the number of months covered, for licenses issued for a portion of the semiannual period, but in no case shall the fee be less than one-half of the semiannual fee, excepting those issued to wholesale dealers as hereinabove provided in section nine of this act. A separate license shall be required for each place of business from persons owning or operating more than one establishment, except that the sale of fish from a vehicle by the holder of an exclusive retail fish dealer's license shall not require a peddler's license. Persons doing both a wholesale and retail business shall be required to take out both wholesale and retail licenses unless the total receipts of any such person amount to less than ten thousand dollars per annum, and any such person having total receipts of less than ten thousand dollars per annum shall be considered a retail dealer for licenses hereunder.

SEC. 11. All licenses provided for in this act shall be issued by the state fish exchange hereinafter provided for, upon written application accompanied by proper fee, together with a certificate from the local health authorities, or other satisfactory assurance to the effect that the state and local rules and regulations as to equipment and sanitary conditions have been complied with.

SEC. 12. The state controller shall prepare suitable license blanks, of the form and class designated by the state market director, which shall purport to license the holder to deal in fish. They shall be numbered consecutively, commencing with one, and shall provide spaces in which to insert the name of the person to whom issued, his business address, and the period covered. The controller shall deliver all licenses to the state market director, who shall thereupon sign and issue them in accordance with the terms of this act.

SEC. 13. Any license may be transferred or assigned by the holder thereof upon payment of a transfer fee of five dollars; *provided*, notice shall be given in writing to the state fish exchange, hereinafter provided for, within ten days of such transfer or assignment. In such cases the original license shall be returned to the state fish exchange and canceled and a new license issued in lieu thereof for the unexpired portion of the original license, on payment of the fee named. If notice of

transfer or assignment be not given, the license shall be invalid for any other person than the original licensee.

SEC. 14. In the event of a license issued under the authority of this act being lost or accidentally destroyed, a duplicate license may be issued by the state fish exchange, hereinafter provided for, upon payment of a fee of five dollars.

SEC. 15. Every license shall be conspicuously displayed in the place of business for which it is issued, or upon request must be shown by any licensee having no established place of business.

SEC. 16. To carry out the provisions of this act, there is hereby created a "state fish exchange" as a department of the state commission market, created by chapter seven hundred thirteen of the statutes of nineteen hundred fifteen, approved June 10, 1915, and of the state market commission created by the "state market commission act." The state fish exchange shall have a secretary who shall execute a bond to the people of the State of California in the sum of ten thousand dollars for the faithful performance of his duties. The state market director shall have authority, subject to the state civil service act, to appoint all employees of the state fish exchange necessary to carry out the provisions of this act and shall fix their compensation.

SEC. 17. The state market director shall establish and enforce rules and regulations necessary for the proper carrying out of the provisions of this act, and shall print and distribute the same to all persons applying therefor without charge.

SEC. 18. There is hereby created a fund to be known as the "state fish exchange fund." On or before the tenth day of each month, the state fish exchange shall remit to the state treasury all moneys collected by said exchange under this act, during the preceding month. All such remittances shall be placed to the credit of the state fish exchange fund and said fund shall be kept separate and apart from other state moneys. All expenses of whatsoever nature incurred by said exchange pursuant to the provisions of this act, including the actual and necessary traveling and other expenses of its employees incurred while on business of the exchange and including the premium and charge for bonds given by surety companies for employees of the exchange when required by the state market director or by the provisions hereof, shall be paid from the said fund, after approval by the state market director, upon claims to be audited by the state board of control, except as provided in section nineteen of this act.

SEC. 19. A revolving fund of five hundred dollars shall be established by the state board of control out of the state fish exchange fund for expenses of the state fish exchange, other than salaries, rent and other regular expenses, and the state market director may expend such revolving fund without first procuring the authority of the board of control, but shall file vouchers therefor monthly with the board of control.

SEC. 20. A sum equaling five per cent of the gross receipts of the state fish exchange shall be paid out of the state fish exchange fund, monthly, to the credit of the state commission market fund or in the event of the repeal of the act creating the state market commission fund, approved June 10, 1915, to the state market commission fund as a commission on the business of the state fish exchange, for services rendered it by the state market director.

SEC. 21. Any surplus over and above the expenditures of the state fish exchange in the state fish exchange fund shall be expended by said exchange, under the direction of the state market director, in educational and publicity campaigns for the purposes of increasing the consumption of fresh food fish, and of enabling the public to obtain fish at reasonable prices.

SEC. 22. Nothing in this act shall be construed as applying to fish bought or sold for canning, curing or packing; or as requiring the payment of license fees by canners, curers, or packers of fish; or to fish caught by other than market fishermen; or to fish sold direct by fishermen to private consumers; or to fish caught in waters within the state privately owned, or to crustaceans or mollusks except that provisions of section seven as to destruction or diversion of food fish shall be of general application.

SEC. 23. Any license issued under the authority of this act may be suspended or revoked by the state market director in his discretion, as herein provided, or upon evidence that the holder thereof has been or is a violator of the provisions of section six of this act, authorizing the fixing of maximum prices on fish, or of the fish and game laws of the state, as evidenced by conviction in any court of competent jurisdiction; or any such license may be suspended in the discretion of the state market director for a period not to exceed thirty days for any violation of the rules and regulations provided for in section seventeen. Such suspension or revocation shall be made only after due notice of such intention has been given the offender and an opportunity given him to rebut the charge at a formal hearing by the state market director, at which hearing the accused shall be entitled to be represented by attorney.

SEC. 24. The state market director may require from any person engaged in marketing fish a written statement as to the amount and varieties of fish caught, or on hand, or sold by said person. Failure to furnish such statement on demand

shall be good and sufficient grounds for the suspension of license issued under the provisions of this act, at the discretion of the state market director, for a period not exceeding thirty days.

SEC. 25. The state fish exchange shall have a seal bearing the inscription "state fish exchange, State of California, seal," which seal shall be affixed to all instruments, including licenses, issued under the provisions of this act.

SEC. 26. (a) The state market director may make investigations concerning all matters relating to the provisions of this act. In connection therewith he shall have the right to inspect the books and records of any person engaged in marketing fish, and the state market director is hereby empowered to hear complaints, administer oaths, certify to all official acts, and to issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents and testimony in any inquiry, investigation, hearing or proceeding in any part of the state.

(b) The superior court in and for the county, or city and county, in which any inquiry, investigation or proceeding may be held by the state market director, shall have power to compel the attendance of witnesses, the giving of testimony and the production of papers, including books, accounts and documents, as required by any subpoena issued by the state market director. The court upon petition of the state market director shall enter an order directing the witness to appear before the court at a time and place to be fixed by the court in such order, the time to be not more than ten days from the date of the order, and then and there show cause why he had not attended and testified or produced said papers before the state market director. A copy of said order shall be served upon said witness. If it shall appear to the court that said subpoena was regularly issued by the state market director, the court shall thereupon enter an order that said witness appear before the state market director at a time and place to be fixed in such order, and testify or produce the required papers, and upon failure to obey said order, said witness shall be dealt with as for contempt of court.

SEC. 27. Any violation of the provisions of section seven of this act as to destruction or diversion of food fish, of section nine as to licenses required, or of section ten as to license regulations, or of section fifteen requiring licenses to be displayed or shown, shall be a misdemeanor punishable by a fine not exceeding five hundred dollars or by imprisonment not exceeding ninety days, or by both such fine and imprisonment.

SEC. 28. All prosecutions or suits brought under this act shall be commenced within six months from the time such offense was committed.

SEC. 29. The state market director shall make and submit to the governor, on or before the first day of December of each year, a report containing a full and complete account of the transactions and proceedings of the state fish exchange, for the preceding fiscal year, together with such facts, suggestions and recommendations as may be deemed of value to the people of the state.

SEC. 30. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

SEC. 31. All acts and parts of acts in conflict with this act are hereby repealed.

